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INTERNATIONAL NEWS

IHS Forecasts Global Trade Surge After Steep 2020 Fall

Global trade is set for a significant rebound in 2021, following a historic Covid contraction, but uncertainties remain, said Dr. Tomasz Brodzicki, senior economist at IHS Markit.

IHS Markit's Global Trade Atlas forecasts real value of global trade, adjusted for inflation, to surge a year-over-year 7.6 percent this year and 5.2 percent in 2022. This follows an estimated contraction of 13.5 percent in 2020 to $16.4 trillion.

Brodziki's "Global Trade Outlook for 2021" said direct trade effects of Covid-19 were related to supply disruptions hindering production, increased transport cost due to implementation of stricter rules, supply-chains contagion effect that amplified the direct supply shocks and demand disruptions due to a decrease in the aggregate demand, and precautionary or wait-and-see purchase delays.

Brodzicki said the growth this year is attributed to the projected recovery in global gross domestic product (GDP) in 2021 and a "particularly strong growth impulse expected in the second quarter." The predicted compound annual growth rate (CAGR) for the real value of global trade for the period of 2021 to 2030 is 3.5 percent, he noted.

IHS Markit estimates a contraction of 11.2 percent year over year in global trade in 2020 to 12.7 billion metric tons and forecasts a 7.5 percent growth in 2021 and a 4.1 percent increase in 2022. This will enable the global economy and in particular the transport community to regain momentum and to recoup some of the losses from the trade collapse of 2020, IHS noted. The forecasted CAGR for global trade volume stands at 3.2 percent in the period of 2021 to 2030.

"The estimated contraction (11.2 percent) in global trade volume in 2020 is higher than the contraction (7.7 percent) in the global financial crisis," Brodzicki said. "Economic developments will critically depend on the shape of the pandemic curve and the severity of containment efforts taken globally and by individual states, as well as the effectiveness of vaccination programs globally."

Although the Covid-19 vaccines have been developed with unprecedented speed, the effects of vaccination programs are unlikely to be felt globally before the third or fourth quarter of 2021, he said, as larger parts of the population gain immunity.

However, many uncertainties still remain and are likely to observe more pronounced adjustments to global value chain and trade patterns the longer the pandemic lasts, Brodzicki said.

Other important qualitative factors that could affect global trade in 2021 include the side-effects of Brexit, functioning and progress of the Regional Comprehensive Economic Partnership (RCEP) Agreement in participating nations, the new U.S. administration’s trade agenda taking a more multilateral trade policy approach or elections in countries like Germany resulting in a power shift impacting German and European Union policies.

Source: sourcingjournal.com – Feb 17, 2021

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US-China relations: forced labour to keep pressure on Chinese textile firms as American firms cut orders

The trend of US companies reducing their exposure to China's textile and clothing suppliers has become a shift that is unlikely to reverse under the Biden administration, with Washington remaining committed to combating forced labour issues, according to trade data and an industry expert.
Last year, China's share in the US apparel market

fell to a decade-low of 23 per cent when measured by value, according to data from the Office of Textiles and Apparel under the US Department of Commerce.

In contrast, the combined market share of China's major competitors in Asia, including Vietnam, Bangladesh, Indonesia, India and Cambodia, rose to a new high of more than 42 per cent in 2020, up 7 percentage points from year earlier.

Apart from the widespread impact from the coronavirus pandemic and a slew of punitive trade tariffs imposed by Washington on Chinese goods since 2018, a stream of US bans and restrictions on cotton products made in the Xinjiang

Uygur autonomous region over its alleged forced labour issue have also played a major role in China's shrinking shipments of clothing and textiles to the US last year.

While China's total textile and apparel exports to the US dropped by more than 30 per cent last year from a year earlier by value, its shipments of cotton related items to the US dropped by nearly 40 per cent, according to the US government data.

Specifically, only 15 per cent of US cotton apparel came from China last year, down from 22 per cent in 2019, while imports of cotton textiles from China dropped by 4 percentage points to 27 per cent last year.

"We shall not underestimate the impact of non-economic factors on China's prospect as an apparel-sourcing destination in 2021. Notably, the reported forced labour issue related to Xinjiang, China, and a series of actions taken by the US government have significantly affected US cotton apparel imports

from China," said Sheng Lu, an associate professor of fashion and apparel studies at the University of Delaware.

"The new Biden administration has expressed its commitment to improving human rights and labour standards in international trade.

"It is likely that more draconian trade-restrictive measures or even economic sanctions will further change US fashion companies' calculation about the costs and benefits of sourcing apparel from China in 2021 and beyond."

Earlier last month, the US government issued an order to detain cotton and tomato products produced in Xinjiang at US ports of entry over forced labour concerns. The order applies to all products made in part or entirely from Xinjiang's cotton and tomatoes, including textiles and apparel.

It is accepted that it is difficult to trace when particular parts have entered a supply chain, but US fashion firms have been treading carefully over the past year between reducing exposure to China's supply chain and keeping the cost of sourcing low amid the coronavirus pandemic.

China remained the largest source of textile and apparel imports for the US in terms of both quantity and value, with Lu citing China's fast recovery of production capacity and sufficient local textile suppliers as its main advantage.

In the case of China, US retailers rarely need to worry when placing an order, whereas in other Asian countries, textile products have to be imported, sometimes from China anyway, he added.

"In other words, the relatively complete local textile and apparel supply chain in China may help US fashion companies mitigate the risk of supply chain disruptions during the pandemic," Lu said.

The US trade data also showed that the sourcing advantage in Asia could not be easily replaced by countries close to the US, even as near-shoring gains popularity during the pandemic.

Measured by value, more than 70 per cent of US apparel imports still came from Asian countries last year, a level that has remained stable for a decade.

The value and the quantity of US apparel imports from United States – Mexico – Canada Agreement (USMCA) and Dominican Republic – Central America Free Trade Agreement (CAFTA-DR) members continued to lose market shares in 2020 as their products offered little advantage in terms of cost and variety over their Asian competitors.

“Under the so-called Western Hemisphere supply chain, USMCA and CAFTA-DR members often rely on textile supply from the US, which, however, also substantially limits the types of apparel items they can produce,” Lu said.

“As most US fashion companies do not have the financial resources to invest in building the Western Hemisphere supply chains during the pandemic, a sizeable return of near-sourcing does not seem to be too likely in 2021 either."

Source: scmp.com– Feb 16, 2021

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Freight Costs Top Tariffs for First Time Since 2017, Data Shows

While increases in freight costs have been an ongoing concern, companies in the fourth quarter of 2020 saw charges for U.S. inbound routes rise to a nearly $10 billion shipping inflation problem.

For most of last year, supply chains have had a number of challenges ranging from manufacturing disruptions caused by the coronavirus pandemic, mass demand destruction from shelter-in-place mandates, uneven economic recovery, more recently, a nascent surge in demand.

"The latter is a high-quality problem but nonetheless has brought with it a wide range of rising costs, particularly for freight expenses," said Christopher Rogers, supply chain analyst for Panjiva, an S&P Global Market Intelligence company.

Some firms have been noting the higher costs in their earnings conference calls, including Tapestry Inc., whose CEO Joanne Crevoiserat said the Coach parent generated strong operating income growth due, in part, to a reduction in promotional activity, higher average unit retail, and disciplined inventory and expense management. She also said the company delivered profit growth "in the face of unprecedented Covid-related external headwinds, including pressured bricks and mortar traffic, store closures and capacity limits, as well as higher freight costs and shipping constraints."

Panjiva's Rogers said so far there is "little evidence that companies have responded to the higher costs by cutting demand for goods, perhaps indicating that they will be passed through to consumers."

So what's accounting for soaring freight costs?

In a study by Panjiva, freight costs may have added $9.53 billion to corporate costs in the fourth quarter. In fact, Panjiva's data shows that U.S. seaborne imports climbed 20 percent year-over-year in January, mostly likely because of the degree of congestion caused by vessel reduction that had been delayed in offloading as well as increased demand for goods. "Imports of consumer discretionary goods have been the biggest driver of that growth in the absolute number of containers, with growth in household appliances of 80.9 percent while consumer electronics and home

furnishings grew by 17.2 percent and 34.4 percent, respectively," Rogers said in the report.

"The cost of tariffs will likely increase [because] of section 301 duty exemptions being reversed in many instances," he said. In addition, shipping rates will likely be driven by a mix of secular and cyclical factors. Secular factors include spending on environmental remediation to green container shipping fleets globally, as well as ongoing investment in expanded infrastructure, which may keep rates higher for a longer period of time. On the cyclical side, demand could decline once pandemic conditions are mitigated by the vaccine, and when current congestion levels clear up. But improved congestion wouldn't necessarily translate to lower rates due to existing annual contracting for longer-term freight services.

Freight rates and shipping are not the only causes of price inflation facing supply chains, Rogers said. "Oil prices have returned to $58.6 per barrel (WTI) having dropped to a low of $11.6 per barrel and an average of $42.8 per barrel in the fourth quarter of 2020, S&P Capital IQ data shows," he wrote in the report. WTI is West Texas Intermediate crude oil, a specific grade of crude oil and a main benchmark, along with Brent and Dubai Crude, for oil pricing. Higher labor costs and enhanced worker safety requirements related to the pandemic also factor into the rising expenses.

For now, Rogers doesn't believe that companies are wiling to commit to pass higher costs to customers through price hikes, either because of competitive pressure or negative publicity around higher prices.

Source: sourcingjournal.com– Feb 17, 2021

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Sri Lanka , ITC launch trade procedures feature on SLTIP

A new and integral step-by-step procedures functionality developed by Sri Lanka's department of commerce (DoC) was launched in Colombo recently as an enhanced feature of the Sri Lanka Trade Information Portal (SLTIP). The new 'one-stop-shop' feature developed within the framework of the European Union (EU)-Sri Lanka Trade Related Assistance project, is expected to benefit Sri Lankan traders.

The development of the feature was funded by the EU with technical support from the International Trade Centre (ITC). It will provide transparent and up-to-date trade-related information in an interactive, user-friendly platform, a press release from the EU said.

Traders will now have easy access to a wealth of information at their fingertips. The functionality captures all trade procedures in a sequential order including the relevant authorities to meet at each step, costs to be incurred, required time, necessary documentation, legal justification and the submission of complaints.

In 2018, the DoC launched the SLTIP to facilitate better trade practices in the country. For over two years, ITC has been working closely with the DoC to enhance the user-friendliness of the SLTIP's features to meet the demanding pace and compliance of global trade.

This resulted in collaborating with 18 border regulatory agencies in Sri Lanka to collate, validate and detail accurate, certified and up-to-date trade formalities and related regulatory information pertaining to 29 product groups on the new platform.

With such detailed step-by-step guidance, traders can now lower costs and time of doing business when moving goods in and out of the country, conduct their trade operations more efficiently and enhance their international business competitiveness, the press release said.

The new platform awakens insights into existing procedures and measures when conducting trade with Sri Lanka and could be used as a benchmark in considering simplification of border procedures.

All information has been made available in English, Sinhala and Tamil to ensure equal access to all trade stakeholders that have an interest in

international trade also with a view to strengthen domestic value chain linkages.

The step-by-step feature was implemented in partnership with the United Nations Conference on Trade and Development (UNCTAD), while further financial support was provided by the Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) to enhance the platform and extend the product coverage.

Source: fibre2fashion.com– Feb 18, 2021

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Uniqlo leaves behind Zara as most valuable apparel firm

Fast Retailing, the Japanese parent of casual clothing chain Uniqlo, now tops the global apparel industry in terms of market capitalisation as its value reached 10.87 trillion yen ($103 billion) at the end of trading on February 16. This is for the first time that Fast Retailing topped Zara's Spanish parent Inditex, which had a market cap of €80.8 billion ($97.5 billion) at the same moment, according to Asia Nikkei.

Fast Retailing’s share price has steadily climbed since last August. The casual wear specialist is also perceived as well positioned to capitalise on the changing habits of consumers, who are more inclined to dress casually as telework spreads, the Asia Nikkei report said.

Fast Retailing operated 2,298 Uniqlo stores around the world in November. Three-fifths of those stores are located in Asia outside Japan. China is the second biggest market after Japan, with 815 stores at 791 locations.

Inditex operates 467 stores in China. Last October, Zara opened in Beijing its largest Asian location. meters.

For the previous fiscal year ended August, the operating margin of the company in greater China, which includes Hong Kong and Taiwan, stood at 14.4 per cent, above Japan's 13 per cent. Meanwhile, 70 per cent of Zara's outlets are located in the United States and Europe, which were affected with multiple lockdowns. Zara has roughly a fifth of its stores in Asia.

Investors have valued Fast Retailing's efforts on the digital front too. The company adopted the ‘digital consumer retailing’ concept in 2016, which involves analysing data from online and store purchases from IC tags attached to all merchandise. Fast Retailing has partnered with Google and other companies to develop a manufacturing infrastructure powered by artificial intelligence.

But when it comes to revenue, Fast Retailing remains in third place at roughly 2 trillion yen ($18.9 billion) for the previous fiscal year. Inditex leads the way at €28.2 billion ($34.1 billion) for the year ended January 2020, while Sweden's H&M is runner-up with 187 billion kronor ($22.5 billion) for the financial year through last November.

Most of Inditex's production facilities are in Spain. It minimizes its inventory volume by producing clothes well-suited to logistics, with air transport used to deliver cargo in a short span of time. Because the company is able to sell out its merchandise without offering discounts, it rakes in ample gross profit.

In online sales, Fast Retailing is neck and neck with Inditex. In the previous fiscal, the Japanese company raised digital's share of total sales to 15.6 per cent from 11.3 per cent. E-commerce accounted for 14 per cent of Inditex's revenue in 2019, but it plans to raise that figure to 25 per cent by next year.

Source: fibre2fashion.com– Feb 17, 2021

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Switzerland climbs to top of global e-commerce index

For the first time, Switzerland has climbed to the top of UNCTAD's Business-to-Consumer (B2C) E-commerce Index 2020. The index scores 152 nations on their readiness for online shopping, worth an estimated $4.4 trillion globally in 2018, up 7 per cent from the previous year. Singapore and Hong Kong are the only non-European economies in the top 10.

Europe remains by far the most prepared region for e-commerce, according to the index, but "wide gaps with countries with the lowest level of readiness need to be addressed by tackling weaknesses in those nations to spread the benefits of digital transformation to more people," UNCTAD said in a press release.

The index scores countries on the basis of access to secure internet servers, reliability of postal services and infrastructure, and the portion of their population that uses the internet and has an account with a financial institution or a provider of mobile money services.

In 2019, 97 per cent of the Swiss population used the internet. Switzerland has replaced the Netherlands at the top of the index.

The 10 developing countries with the highest scores are all from Asia and classified as high-income or upper-middle-income economies. While at the other end of the spectrum, least developed countries occupy 18 of the bottom 20 positions.

The two largest B2C e-commerce markets in the world, China and the United States, rank 55th and 12th respectively in the index. Although both countries lead in several absolute measures, they lag in relative comparisons.

For instance, internet penetration in the United States is lower than in any of the economies in the top 10, while China ranks 87th in the world on this indicator. As for online shopping penetration, the United States ranks 12th while China takes the 33rd slot.

“The e-commerce divide remains huge,” said Shamika N Sirimanne, director of UNCTAD’s division that prepares the annual index. “Even among G20 countries, the extent to which people shop online ranges from 3 per cent in India to 87 per cent in the United Kingdom.”

Also, in Canada, the United States and 10 European nations, more than 70 per cent of the adult population makes purchases online. But that proportion is well below 10 per cent in most low- and lower-middle-income countries.

"The COVID-19 pandemic has made it more urgent to ensure the countries trailing behind are able to catch up and strengthen their e-trade readiness," Sirimanne said. The index, she said, underscores the need for governments to do more to ensure more people can avail of e-commerce opportunities.

"Otherwise, their businesses and people will miss out on the opportunities offered by the digital economy, and they will be less prepared to deal with various challenges," she added.

Source: fibre2fashion.com– Feb 17, 2021

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Pakistan: Business activity remains firm on cotton market

The local cotton market remained stable on Wednesday. Market sources told that trading volume was satisfactory.

Cotton prices climbed to a 2-1/2-year peak on Tuesday, as robust demand and expectations of a reduction in production supported the natural fibre. The cotton contract for March settled up 0.85 cent, or about 1%, at 88.12 cents per lb, at 2:39 p.m. EST, having touched its highest since August 2018 at 88.90 cents earlier.

"The sentiment is bullish," said Jack Scoville, vice president at Chicago-based Price Futures Group, adding that export demand has been very strong and there are increased expectations for a decrease in production.

In its weekly export sales report last Thursday the US Department of Agriculture showed that exports of 433,600 running bales (RB)- a marketing-year high - were up 36% from the previous week, of which 143,200 RB were shipped to China.

The agency had left its US cotton production estimate for 2020/2021 at 14.95 million bales in its monthly World Agriculture Supply and Demand Estimates.

Moreover, Former chairman and spokesman of Federal B Area Association of Trade and Industry (FBAATI) Idrees Gigi said textile exporters were not able to work at their full potential due to shortage of cotton yarn. Cotton production remained less than 15 million bales.

Limited to 5.5 million bales, the price of cotton is skyrocketing due to shortage in the country and exporters are currently facing uncertainty, cotton to the textile sector due to easy availability of raw materials. Export of yarn should be banned completely and duty free import of yarn should be allowed.

A huge number of export orders are being received by the value-added garment industry, however, exporters are not accepting these orders for the calendar year 2021 due to skyrocketing price of fabrics in the country along with short availability, especially of the denim fabric.

According to the press statement issued by the Pakistan Readymade Garments Manufacturers and Exporters Association (PRGMEA) Vice Chairman Adeeb Iqbal, government should abolish all duties on the import of fabrics in line with the import relaxation provided on import of cotton yarn, as value-added garment sector is facing severe shortage of basic raw material of fabrics, which may lead to a drastic decline in value-added textile export.

“We want duty-free import of fabric along with yarn, as the cotton prices find no respite from an unabated spike with the industrial input trading at season’s highest rates because its muted local production continues to widen demand and supply gap,” he added.

Cotton Analyst Naseem Usman told that the fertilizer companies have increased prices of DAP by Rs 300 per bag. Earlier, Fauji Fertilizer Bin Qasim Limited (FFBL) had increased its DAP prices by Rs550 per bag. The company has increased its prices due to increased demand globally and the reduction in supply from China. Now, DAP prices are again up due to increased demand globally. After the increase, FFBL primary DAP margins had increased to a record high of USD230/ton, which was last seen in 2015 as phosphoric acid remained stable at USD689/ton.

Naseem Usman also told that Pakistan has said that it has no plans to allow duty-free import of cotton from India to bridge the shortfall.

The country is currently facing a shortfall of one million bales due to low production this year.

Talking to journalists adviser to Prime Minister on Commerce Abdul Razak Dawood said that people from the industry had been demanding revision in duties and taxes on the textile sector.

However, he ruled out any change in duties on import of cotton from India to bridge the shortfall. He hoped that the country would produce a better cotton crop next year.

Responding to a question, the adviser said that the government would restore the zero-rated regime for the five leading export-focused sectors in the upcoming budget.

Talking about trade with Afghanistan and Central Asian states, he said that Afghanistan had offered a preferential trade agreement (PTA), which was not a problem.

Naseem Usman told that 1600 bales of Ghotki were sold at Rs 11,000 per maund, 200 bales of Mir Pur Mathelo were sold at Rs 11,200 to Rs 11,300 per maund, 285 bales of Saleh Pat were sold at Rs 9500 per maund, 200 bales of Chistian were sold at Rs 11,200 per maund and 400 bales of Faqeer Wali were sold at Rs 11,000 per maund.

Naseem also told that rate of cotton in Sindh was in between Rs 10,000 to Rs 10,700 per maund. The rate of cotton in Punjab is in between Rs 10,200 to Rs 11,000 per maund. He also told that Phutti of Sindh was sold in between Rs 3800 to Rs 5000 per 40 kg. The rate of Phutti in Punjab is in between Rs 3500 to Rs 5400 per 40 Kg. The rate of Banola in Sindh was in between Rs 1600 to Rs 2000 while the price of Banola in Punjab was in between Rs 1800 to Rs 2250. The rate of cotton in Balochistan is Rs 11,000 per maund.

The Spot Rate remained unchanged at Rs 11,000 per maund. The Polyester Fiber was available at Rs 197 per Kg.

Source: brecorder.com– Feb 18, 2021

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Pakistan: January textile group exports decline 5.54pc MoM

The country's textile group exports have witnessed a decline of 5.54 percent in January 2021 as it stood at $1.32 billion compared to $1.4 billion during December 2020, says the Pakistan Bureau of Statistics (PBS).

The exports and imports data released by the PBS revealed that the textile group exports have registered an increase of 10.79 percent on year-on-year basis as it reached $1.32 billion in January 2021 compared to $1.19 billion in January 2020.

Textile group exports registered 8.23 percent growth during the first seven months (July-January) 2020-21 and remained at $8.76 billion compared to $8.09 billion during the same period of last year.

Cotton yarn exports declined by 10.90 percent during January 2021 and remained at $85.69 million compared to $96.18 million during December 2020 and declined by 10.38 percent when compared to $95.62 during the same month of last year.

Cotton yarn registered 23.97 percent decline during July-January 2020-21 and remained at $486.42 million compared to $639.77 million during the same period of last year.

Raw cotton exports recorded massive decline of 100 percent in January 2021 as it stood at zero compared to $0.07 million during December 2020 and $0.54 million during January 2020.

Raw cotton registered 96.27 percent decline during July-January 2020-21 and remained at $0.596 million compared to $15.88 million during the same period of last year.

Petroleum group imports witnessed a decline of 20.90 percent as it reached $5.64 billion during July-January 2020-21 compared to $7.13 billion during the same period of last year.

Petroleum group imports witnessed a decline of 12.13 percent as it reached $869.29 million in January 2021 compared to $989.25 million during January 2020 and registered 5.39 percent growth when compared to $824.86 million in December 2020.

Construction machinery imports has witnessed massive decline of 42.34 percent during the July-January 2020-21 and remained at $64.62 million compared to $112.06 million during the same period of last year.

Construction machinery imports witnessed also massive decline of 66.89 percent during January 2021 and remained $10.32 million compared to $31.19 million, during January 2020 and registered over 49 percent growth when compared to $6.91 million in December 2020.

The country's exports during July–January, 2020-2021 totaled $14.256 billion (provisional) against $13.496 billion during the corresponding period of last year showing an increase of 5.63 percent.

The exports in January, 2021 were $2.146 billion (provisional) as compared to $2.366 billion in December, 2020, showing a decrease of 9.30 percent but increased by 8.82 percent as compared to $1.972 million in January 2020.

The country's imports during July-January, 2020-2021 totaled $29.274 billion (provisional) as against $27.316 billion during the corresponding period of last year showing an increase of 7.17 percent.

The imports in January, 2021 were $4.820 billion (provisional) as compared to $4.986 billion in December, 2020 showing a decrease of 3.33 percent but increased by 16.96 percent as compared to $4.121 billion in January 2020.

The country's trade deficit widened by 8.67 percent to $15.018 billion during July-January 2020-21 compared to $13.820 billion during July-January 2019-20.

Main commodities of exports during January 2021 were knitwear Rs 52.118 billion, registering 37.61 percent growth compared to the same period of last year and decreased by 5.86 percent compared to December 2020, readymade garments Rs 45.307 billion registering 8.99 percent growth compared to the same period of last year and 0.59 percent decline compared to December 2020, bedwear Rs 35.126 billion registered 17.02 percent growth compared to same period of last year and 14.29 percent decline compared to December 2020, rice Rs 18.957 billion registered 5.76 percent growth compared to same period of last year and 41.04 percent decline compared to December 2020, cotton cloth Rs 24.23 billion registered 10.80 percent decline compared to the same period of last year and 6.45 percent

decline compared to December 2020, towels Rs 14.015 billion registered 38.86 percent growth compared to same period of last year, and 5.49 percent growth compared to Dec 2020, basmati rice Rs 12.149 billion registered 20.44 percent growth compared to the same period of last year and 138.40 percent growth compared to December 2020, cotton yarn Rs 13.724 billion registered 7.20 percent decline compared to the same period of last year and 10.86 percent decline compared to December 2020, made up articles (excl towels and bed-wear) Rs 10.84 billion registered 25.56 percent growth compared to same period of last year and decline by 6.06 percent compared to December 2020.

Source: brecorder.com– Feb 18, 2021

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Vietnam: Exports of textiles and footwear on the increase

In January 2021, the textile production index and the apparel production index increased by 16.6% and 9.9% compared to the same period in 2020, respectively, according to the Ministry of Industry and Trade.

The production of textiles from synthetic fibers and artificial fibers was estimated at 92.4 million square meters, increased by 20.4% year over year. Casual clothing was estimated at 380.1 million pieces, up 9.3% year over year. The total export turnover of textiles and garments in January 2021 was estimated at USD 2.6 billion, increased by 3.3% over the same period last year.

The trend of price reduction and simple clothing will replace fashionable clothing, causing the available production capacity to become redundant and new production capacity requirements to arise. However, in 2021, the goal of the textile and garment industry is still equal to that of 2020, with the highest export reaching USD 39 billion.

Mr. Le Tien Truong, Chairman of the Board of Directors of Vietnam National Textile and Garment Group (Vinatex), assessed that textile and garment enterprises have received the attention of the Government over the past time. However, up to now, the global COVID-19 pandemic situation is still complicated. The negative impact of the pandemic can even last for one or two years. The year 2021 was forecasted to still be full of difficulties and uncertainties for the textile and garment market.

On the positive side, the Ministry of Industry and Trade believes that the textile and garment industry is facing a huge opportunity for development because of recently-signed free trade agreements, especially the potential to expand exports to major markets around the world.

In particular, the Regional Comprehensive Economic Partnership (RCEP) signed in mid-November 2020 was expected to create motivation and opportunities for Vietnam's garment and textile industry and replace some markets where the COVID-19 pandemic has not been controlled yet.

In the coming time, the textile and garment industry needs to promote building Vietnamese brands and supply chains linking and develop supporting industries.

Source: vietnamcredit.com.vn– Feb 17, 2021

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NATIONAL NEWS

Cabinet approves trade pact between India, Mauritius

The Union Cabinet, headed by Prime Minister Narendra Modi, on Wednesday approved signing of a comprehensive economic cooperation agreement (CECPA) between India and Mauritius to liberalize norms and improve trade between the two nations.

“The Agreement will be signed ... on a mutually convenient date and will come into force from 1st date of the following month," an official statement said. This will be India's first such trade pact with an African nation.

The CECPA, which is kind of a free trade pact, would cover 310 export items for India, including foodstuff and beverages, agricultural products, textile and textile articles, base metals, electricals and electronic items, plastics and chemicals, wood and its articles, among others.

Mauritius will benefit from preferential market access into India for its 615 products, including frozen fish, speciality sugar, biscuits, fresh fruits, juices, mineral water, beer, alcoholic drinks, soaps, bags, medical and surgical equipment, and apparel.

Countries enter into such agreements to remove barriers to imports and exports and promote services trade.

Indian service providers will have access to 11 broad sectors of Mauritius such as professional services, computer related services, research and development, other business services, telecommunication, construction, distribution, education, environmental, financial, tourism and travel, transport services, among others.

Similarly, India has offered 11 broad services sectors, including professional services, telecommunication, financial, distribution, higher education, environmental, health, tourism and travel related services, among others.

“The agreement is a limited agreement, which will cover trade in goods, rules of origin, trade in services, technical barriers to trade (TBT), sanitary and phytosanitary (SPS) measures, dispute settlement, movement of natural persons, telecom, financial services, customs procedures and cooperation in other areas," the statement said.

Over the last 15 years, India has been one of the largest exporters of goods and services to the island nation. According to the International Trade Centre (ITC), in 2019, the main import partners of Mauritius were India (13.85%), China (16.69%), South Africa (8.07%), and UAE (7.28%).

The bilateral trade between the countries has declined to $690 million in 2019-20 from $1.2 billion in 2018-19. While India's exports to Mauritius in 2019-20 aggregated at $662 million, imports stood at $27.89 million.

“The India-Mauritius CECPA will further cement the already deep and special relations between the two countries," the statement said.

Source: livemint.com– Feb 17, 2021

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Garments, made-ups sectors may get lower duty reimbursement under RoDTEP scheme

Budget constraints will limit refunds

Input duty reimbursement for exporters of garments and made-ups under the new RoDTEP scheme may be lower than the rates under the previous RoSCTL scheme if the government finds it difficult to meet the needs of all other entitled sectors with the available resources, officials said.

Last year, the Textiles Ministry had extended the Rebate of State and Central Taxes and Levies (RoSCTL) on export of garments and made-ups, which offers reimbursement of input taxes at 6 per cent or more of the exported value, till a time the Remission of Duties and Taxes on Exported Products (RoDTEP) was implemented. It was said that the rates were likely to remain the same under RoDTEP.

“The problem is that with the limited budget for RoDTEP, at around ₹13,000 crore annually, it will be very difficult to provide the RoSCTL rates to the textile sector as it would take up around ₹7,000 crore. The government will be left with less than half the amount for all other sectors,” the official said.

There is a big demand from exporters to expand the budget for the RoDTEP scheme as with the amount being currently considered, many believe it will not be possible to compensate exporters for all the input taxes paid. Initially, the Finance Ministry had said that a provision of ₹50,000 crore will be made for RoDTEP but with the present resource crunch, it may be reduced to less than a third of that.

“The RoDTEP is a duty refund scheme which provides refund of all taxes and duties hitherto not refunded through any other mechanism. If it is a refund scheme, the refund should not be limited to the budget constraints,” according to exporters’ body FIEO.

FIEO has asked the government to provide whatever budget is needed to enable the export sector to get the rightful claim based on the parameters of rates fixation. “We have to bear in mind that India hardly has many options to support exports after losing special and differential treatment. RoDTEP, being a WTO compatible measure, should provide rightful competitiveness

to exports not marred by the budget constraints," FIEO officials said at a recent press interaction.

Rates being finalised

The RoDTEP will be effective from January 1, 2021, although the rates are still being finalised, as the popular Merchandise Export from India Scheme (MEIS) stands withdrawn from December 31, 2020. A WTO panel had ruled that MEIS was incompatible with multilateral trade rules as it could not be directly correlated to the input taxes paid by exporters.

The garments and made-ups sector, which were under primary focus at the WTO, switched over to the RoSCTL scheme from the MEIS much earlier in April 2019 and it was decided that it would be merged with the RoDTEP scheme for all exporters once it was announced.

"The Textiles Ministry has been making a case for retaining the RoSCTL rates of reimbursement for garments and made-ups under the RoDTEP as well but it looks difficult," the official said.

Although the MEIS scheme had a budget of over ₹50,000 crore, it is being trimmed for the RoDTEP scheme as the government has to also provide for the Production Linked Incentive (PLI) scheme for the identified sectors which is aimed at promoting domestic manufacturing.

Source: thehindubusinessline.com– Feb 17, 2021

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FinMin unearths more than 9,000 fake GSTIN

Move to help curb fake invoices, improve tax collections

The Central Board of Indirect Taxes & Customs (CBIC) has claimed that it has unearthed over 9,000 fake GST Identity Numbers (GSTIN).

The government had initiated a drive against fake identity numbers in the second week of November. "As on February 13, the Department has made 3,046 cases and unearthed about 9,294 fake GSTINs," M Ajit Kumar, Chairman of CBIC, said in a communication to the Department.

GSTIN is a 15-digits unique alphanumeric identity assigned to each registered assessee. First two digits represent the code of State (each State and UT has been assigned a code like 07 for Delhi, 33 for Tamil Nadu, 28 for Andhra Pradesh and so). Next comes the 10-digits alphanumeric combination which is PAN (ABCDE1234F). The 13th digit is based on the number of registration in a particular State. The 14th digit is Z by default while 15th digit is checksum digit which can be a number or letter.

Undue advantage

Kumar said the recent action and result showed that certain unscrupulous elements have tried to take undue advantage of the laws, procedures and reduced compliance measures designed for honest taxpayers under the GST regime to further their own profit at the cost of the nation. This, "apart from having a huge impact on revenue, also puts the honest taxpayer at a tremendous disadvantage in a highly competitive market place," he said.

Under the GST regime, Section 31 of the CGST Act, 2017 mandates the issuance of an invoice or a bill of supply for every supply of goods or services (except if the value of the supply is less than ₹200, subject to specified conditions). There is no format prescribed for an invoice. However, invoice rules make it mandatory for an invoice to have the name, address and GSTIN of the supplier, among other things.

One can check the genuineness of GSTIN by going to a portal (https://www.gst.gov.in) and looking for the taxpayer. There he can punch in the GSTIN/UIN (unique identity number) after which details such as name, address and date of last 10 returns filed will appear. Apart from the

name and address, even if return filings are irregular or no return is filed, one can say that the given GSTIN is fake.

Rajat Mohan, Senior Partner with AMRG & Associates, said the fake GSTIN menace has reached an all-time high. Other than severely impacting tax collections, it also pushes the government to introduce deterrents in the tax regime creating unease of doing business for all the taxpayers.

“Online tax matching, payment of 1 per cent tax in cash, limit of 5 per cent on ITC, strengthening of penalty proceedings, rampant searches and seizures, Aadhaar authentication, physical verification at the time of registration are some of the broad changes introduced in the tax regime to control tax evasion,” he said.

Identification of fake GSTIN was a daunting task in the past. However, with AI and big data analytics it has become effortless. “Fake GSTIN could be specifically identified using big data analytics and connecting numerous data points available with the government, which includes information available with GSTN, Income Tax Department, MCA, transport authority, FASTAG, online payments in wallet etc,” Mohan said.

Source: thehindubusinessline.com– Feb 17, 2021

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All you wanted to know about Agriculture Infrastructure Development Cess

The Budget for 2021-22 may have refrained from tinkering with your taxes, but it has proposed a new levy — Agriculture Infrastructure Development Cess.

What is it?

Cess is a kind of special-purpose tax which is levied over and above basic tax rates. The purpose of the new AIDC is to raise funds to finance spending on developing agriculture infrastructure. Considering that not much private investment is forthcoming for agriculture, the Centre now seeks to raise a dedicated fund to meet these expenses.

In her Budget speech, the Finance Minister proposed AIDC on a small number of items from February 2. While applying this cess though, she has made sure that there will not be additional burden on consumers on most items.

The new cess will be levied on 29 products, prominent among which are gold, silver, imported apple, imported alcohol (excluding beer), imported pulses, imported palm oil, imported urea, and petrol/diesel including branded ones. While Basic Custom Duty (BCD) has been lowered on 25 of these products, Basic Excise Duty (BED) and Special Additional Excise Duty (SAED) have been lowered on unbranded and branded petrol-diesel. The new cess will only offset the reduction in customs or excise duty and thus will not raise the tax incidence for consumers.

Drawing power from Articles 270 and 271 of the Constitution, the Centre collects cess and deposits it in the Consolidated Fund of India. However, the money is then supposed to be transferred to a segregated fund to be used for specific purpose.

Why it is important?

There are two aspects — usages and effect. The AIDC is proposed to be used to improve agricultural infrastructure aimed at not only boosting production but also in helping conserve and process farm output efficiently. Considering the debate on the new farm laws, the AIDC was perhaps meant to send out the message that the Centre is going the extra mile to improve

the lot of farmers. But on the flip side, the money collected through cess and surcharge are not part of the divisible pool, from which devolution of Central taxes takes place to the States.

When customs duty or excise is replaced by cess, the pie from which States get a share tends to shrink. Take the example of unbranded petrol. While the new AIDC will be levied at ₹2.50 per litre, the basic excise duty and special additional excise duty have been reduced by equal or lower amounts. While States would so far have got 41 per cent of the ₹2.50 per litre of petrol sold (₹1.02 per litre) while the balance would have remained with Centre. Now, the Centre will have the entire ₹2.50 levied as AIDC at its disposal.

Why should I care?

The selling prices of the 29 commodities are unlikely to change much as AIDC is only a left pocket to right pocket transfer. The tax component in the final price will remain the same for most of the products.

However, if you are planning to buy gold and silver, there is good news as the duty component has come down by 2.5 per cent and this is expected to lead to some moderation in the prices. At the same time, the Finance Ministry says post imposition of cess, final central tax outgo on petrol and diesel have come down by few paise.

For all other products covered under AIDC, the consumer will not see any change in his/her bill and it is the duty of the importer and producer to make specific entry while filing tax/duty returns.

Rather than individuals, it is States that need to worry as they may get less money in line with the devolution formula. This could affect some States' specific welfare schemes.

However, the Centre has assured that the amounts lost will not be significant and, in fact, States will be benefited through this cess as the spending will be earmarked for the States. It is just a question of who will be providing the money.

Source: thehindubusinessline.com– Feb 15, 2021

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Much room for higher Indian apparel exports to Mexico: Envoy

The bilateral trade between India and Mexico is rising and there is huge potential for growth of Indian apparel exports to Mexico, said country's ambassador to Mexico Manpreet Vohra.

Speaking at 'India-Mexico Synergies in Apparel and Textiles' virtual meeting, organised by Apparel Export Promotion Council (AEPC) and Embassy of India, Mexico City, Mexico, on Tuesday evening, Vohra said the bilateral trade has grown 46 per cent to about USD 10 billion since 2014.

"Mexico is now India's largest trading partner in Latin America and the second-largest in entire America after the USA and having overtaken Canada and Brazil. Our trade is also fairly well balanced with only about USD 1 billion in India's favour," Vohra said.

The Ambassador said one of the most important products in the bilateral trade basket is garments and textiles, and for which India is among Mexico's top suppliers. In 2019, Mexico imported USD 381 million worth of textiles and clothing items from the country.

"However, there is much more room for growth borne out by the fact that in 2019 Mexico imported over USD 10.7 billion worth of garments and textiles from all over the world. Even 2020 data shows from January to November that despite the pandemic Mexico has still imported USD 7.9 billion of these items. India, therefore, can surely increase its share in the import matrix of Mexico," the envoy said.

India is one of the leading manufacturers and exporters of high quality and competitively priced garments and textiles, he said and added that the size of the country's domestic market alone is USD 100 billion.

"Both the domestic market size and India's share in global apparel trade, currently 5 per cent, are likely to triple by 2024-25," he added.

AEPC Chairman A Sakthivel said, "At the start of the coronavirus pandemic in India in March, the production of medical textiles in the country was zero. Within 30 days with the help of Minister of Textiles Smriti Zubin Irani and our exporters, the production of medical textiles began. And, by June India became the world's second-largest manufacturer of medical textiles."

Sudhir Sekhri, Chairman (Export Promotion), AEPC, said, "Of the 10 top apparel products that are being exported from India to Mexico only one item is a MMF fabric, all other items are cotton fabrics. This is where the gap is and where we see growth."

Source: businessworld.in– Feb 18, 2021

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Tirupur industrialists to train 7,000 workers

The Tirupur Exporters and Manufacturers' Association (TEAMA) has put in place an action plan to train a workforce of 7,000 for the 36 factories to come up in the proposed textile park at Vedaranyam in Nagapattinam district.

More skill training centres have been planned to be started to create a huge workforce before the Veda Textile Park at Ayyakaranpulam takes shape. The park, comprising 34 readymade garment and two knitwear units, is to be constructed at ₹ 96.86 crore. The Centre will offer a subsidy of ₹37.8 crore and the State government ₹23.62 crore.

The Union Textiles Ministry is expected to accord its formal sanction of its share of the total project cost during this week.

The project envisages 24 % contribution by the State Government and the rest by the Special Purpose Vehicle formed by the 36 entrepreneurs, N. Murali, Vice-President of TEAMA, said. The wet-processing will be carried out at Tirupur and rest of the process till manufacture of the end product will take place in Vedaranyam, he said.

Formation of such clusters has been necessitated by shortage of labour in Tirupur. After a large segment of the north Indian workforce in Tirupur migrated to their respective States during the COVID 19 lockdown, a number of units were facing the problem of scaled-down production and productivity issues. Abundance of work force in places such as Vedaraynam will enable the Tirupur industries to stand up to the competition from Bangladesh and Vietnam in the export market, he said.

A major hub of knitwear exports in India, Tirupur accounts for contributing 45% of exports, of which, more than 90% are cotton based garments.

The competitive advantage of Bangladesh textile sector is only marginal and acceleration of production and productivity through such clusters formed under SITP will stand the Tirupur hub in good stead to emerge stronger, he said.

Source: thehindu.com– Feb 17, 2021

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Cotton yarn price rise, intermittent supply problems: TEA

The rise in cotton yarn prices and intermittent supply of cotton yarn in the past two months have affected small exporting units in Tiruppur, according to the Tiruppur Exporters Association (TEA), which recently, in a letter to finance minister Nirmala Sitharaman, said lack of trade pacts with major importing countries and regions is also a dampener.

There is a lack of a level-playing field due to non-existence of free trade agreements with the European Union, the United Kingdom and Canada, whereas competing countries like Bangladesh, Vietnam, Cambodia, Sri Lanka, Pakistan, Myanmar are now enjoying duty-free status in these markets, the letter said.

"We apprehend that the crisis will lead to a snowball effect, affecting all stakeholders of the knitwear garment sector," the letter said. TEA requested the minister to announce without delay the rates of the Scheme for Remission of Duties and Taxes on Exported Products (RoDTEP).

Some exporting units, mostly micro, small and medium enterprises (MSMEs), have been classified as 'risky exporters' due to various reasons and these units are deprived of drawback and also pending RoSCTL benefits. As the verification procedure and clearance after submitting the requisite details take a longer period—in some cases more than a year as well—TEA requested the minister to advice the department to complete the process quickly.

Readymade garment exporting units, after obtaining the export performance certificate (EPC) from Apparel Exports Promotion Council (AEPC), have been importing items like fasteners, buttons, zippers, sliders, pullers, eyelets, rivets, laces, badges, stones, velcro tape, beads for embroidery and stud, without paying customs duty.

The latest budget has imposed basic customs duty for import of these items with effect from April 1 this year. To main competitive edge, TEA requested Sitharaman to reconsider the amendment made and allow import of these accessories without payment of customs duty.

The trade body also requested the minister to permit extension of Interest Equalisation Scheme for another three years, which will help the MSME exporting units to work out their costs accordingly and strive to take more export orders.

Source: fibre2fashion.com– Feb 17, 2021

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Flipkart, Maharashtra govt agencies sign MoU

E-commerce firm Flipkart recently signed a memorandum of understanding (MoU) with Maharashtra Small Scale Industries Development Corporation (MSSIDC) and Maharashtra State Khadi & Village Industries Board (MSKVIB) to bring artisans, weavers, craftsmen and small and medium businesses in the state into the company's flagship initiative Flipkart Samarth.

The partnership will enable the state's artisans, weavers, craftsmen and smaller industries to showcase their hallmark products like khadi, Paithani sarees, wooden toys, handmade artifacts, jewellery and paper products, purses and other key handicraft products to millions of customers across the country, further adding impetus to the government's 'Vocal for Local' efforts, Flipkart said in a press release.

Flipkart Samarth is a nationwide initiative that aims to help skilled local artisan communities set up their business on the Flipkart Marketplace in an efficient, transparent and cost-effective manner.

Source: fibre2fashion.com– Feb 17, 2021

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