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INTERNATIONAL NEWS

Why British Fashion Faces Up to 25% US Tariffs

Still reeling from Brexit, British fashion could now have new tariffs on its hands.

After a months-long investigation into the U.K.'s digital services tax (DST), the Office of the United States Trade Representative (USTR) has determined that the action unfairly penalizes American tech companies. Now, the agency and is hitting back with proposed retaliatory tariffs on the country's exports—including fashion items.

Implemented on July 22, the U.K.'s DST places a 2 percent tax on the revenues of search engines, social media platforms and online marketplaces whose revenue exceeds 500 million GBP ($686 million), with U.K.-specific digital services revenues totaling more than 25 million GBP ($34.3 billion).

Before the measure was implemented, the USTR began an investigation, under Section 302 of the Trade Act, into whether the tax discriminates against U.S. enterprises and places a particularly heavy burden on technology companies because of their commercial success.

Despite initiating a consultation with the U.K.'s government in December, the USTR ultimately determined on Jan. 14 that the country's DST is "unreasonable or discriminatory and burdens or restricts U.S. commerce."

On Friday, the agency released a proposal under Section 301—the same legislation that opened the door for former President Trump's punitive tariffs on China beginning in March 2018—to levy duties on U.K. goods, with the support of President Biden. The USTR has proposed additional tariffs of up to 25 percent on the country's products, with the intention of collecting duties in range with the amount that the DST is expected to amass from U.S. companies. According to the agency, initial estimates say that figure could total about $325 million per year.

Apparel and footwear in the line of fire

The broad list of items that the USTR proposes taxing includes a range of apparel and footwear items, including adults' and childrens' outerwear like coats and windbreakers, dresses made from silk or synthetic fibers, men's cotton shirts, silk ties, and leather and rubber-soled shoes made for all consumer demographics. The list also contains beauty items, like perfumes, eye makeup, shampoos and bath salts, jewelry products made from silver, gold, and other precious metals and stones, and furniture made from metal, wood and other materials.

Now, the USTR is soliciting public comments from parties whose businesses could be impacted by the legislation. The agency has asked that U.S. companies provide insight into the level of burden they've experienced due to the DST, as well as whether levying duties on the products included in the group's current list would cause "disproportionate economic harm to U.S. interests, including small- or medium-size businesses and consumers." The USTR will be accepting requests to appear at its virtual hearings about the proposed measures, which will take place in in early May, through April 30. It will accept written comments from U.S. individuals and companies through May 3.

On Friday, the Information Technology Industry Council, which represents major U.S. tech firms and prominent retail marketplaces like Amazon and eBay, praised recently confirmed USTR Katherine Tai for her agency's action against "the serious and growing threat of unilateral digital services taxes." Jason Oxman, the trade group's president and CEO, said that the "growing adoption of such tax measures extends globally and compromises the ability for all companies to do business across borders," causing a "harmful fragmentation."

"Unilateral taxes also detract from the ability of countries participating in multilateral negotiations to reach a sustainable solution," he added, encouraging all countries engaged in or considering adopting DSTs to withdraw those measures and instead "redouble efforts to reach a successful and lasting tax policy resolution to the challenges arising from the digitalization of the global economy."

Source: sourcingjournal.com– Mar 30, 2021

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China May Boost Cotton Imports to Cut Xinjiang Fiber in Exports

China could import more cotton to replace fiber from Xinjiang that's being rejected by some Western companies and threatens to hurt its booming textile export industry.

The U.S. bans entry of all products containing cotton from Xinjiang, which accounts for over 80% of China's output, because of concern over the human rights situation in the region. Hennes & Mauritz AB, Nike Inc. and Adidas AG have become ensnared in the row, drawing consumer ire in China for pledges not to use cotton from the area, a major supplier in the global supply chain.

"The only option right now may be to increase cotton imports as export orders for some textile mills will suffer if they use local fiber," said Xu Yaguang, an analyst with Huatai Futures. Xu sees so-called extra cotton import quotas this year returning to the 2019 level of 800,000 tons with an increased requirement for high-quality fiber.

The government issued 400,000 tons of extra quotas in 2020, and has not so far issued any for 2021.

Consumption of Xinjiang cotton could drop by as much as 20% as the export outlook for products containing cotton from the region is not very bright, said Wu Faxin, a veteran cotton trader with industry portal shaxianbao.cn. Wu expects exporting countries such as Brazil and those in Africa to benefit from the additional demand.

Wu Yan, head of the Better Cotton Initiative (BCI) in China, told state television the decision by its headquarters to cut ties with Xinjiang growers will block about 500,000 tons of fiber from the region from entering the global supply chain. The group in China said it has not found any forced labor in Xinjiang since 2012. Members include world retailers and brands such as H&M and Nike.

Job Cuts

Some cotton yarn factories in Xinjiang are cutting employees because of poor sales after some global brands chose not to source cotton and yarn from the region, the China Daily reported Monday, citing a local official.

Suppliers of the retail brands no longer place orders with local producers. “The real victims of the false accusations of ‘forced labor’ in Xinjiang are the large numbers of vulnerable cotton growers and textile workers,” it said.

Some analysts also doubt that the U.S. can effectively test for Xinjiang cotton in every shipment of textile products. Apart from exporting finished goods, top textile shipper China also sends intermediate products to third countries. Vietnam, for example, sources 50% of its cotton yarn from China and more than 60% of its cotton cloth, according to Huatai’s Xu.

Source: bloomberg.com– Mar 30, 2021

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Mill Reportedly Linked to Xinjiang Is Exiting Viscose Business

Stora Enso, a Finland-based manufacturer of wood and biomass products, confirmed to Sourcing Journal on Tuesday that it was "in the process of exiting the segment of dissolving pulp for viscose production globally."

A company spokesperson did not comment specifically on a report in the South China Morning Post that highlighted potentially problematic links between the company and possible forced labor in China's Xinjiang region.

"We are currently in silent period and will come back to the topic, in connection to our Q1 report on April 23," the spokesperson said.

The South China Morning Post reported that Xinjiang has emerged as a major player in the global viscose industry, and that Finland was the region's biggest foreign supplier of dissolved chemical wood pulp, the raw material needed to produce viscose.

The U.S. has essentially banned imports of certain products from the region and U.S. Secretary of State Anthony Blinken has warned that Beijing's news and social-media onslaught against multinational brands raising concerns about forced labor in the region draws further attention to its actions in Xinjiang, where authorities are believed to have detained up to 1.8 million Uyghurs, Kazakhs and other Turkic Muslims in internment camps as part of a broader campaign of repression and assimilation in violation of the United Nations (UN) Genocide Convention.

The South China Morning Post reported that Stora Enso previously confirmed that it exports its dissolved chemical wood pulp to entities in Xinjiang.

"We have a relationship with the [Xinjiang-based] customer since 2012 and have over the years regularly visited the company production sites. During those visits we have never seen signs of forced labor," a spokesman said in a statement, according to the Post.

A spokesperson told Sourcing Journal that "during last year, we reviewed Stora Enso's strategic agenda and identified our focus areas going forward."

“This segment is not core for us and stands for only a small part of our overall business,” the spokesperson said. “We want to focus on and take a leading market position in the segments where we see potential for future growth, namely packaging, wooden construction and biomaterials innovation from lignin.”

Dissolving pulp is produced at Stora Enso’s Enocell mill in eastern Finland, which is producing standard and dissolving pulp grades, the spokesperson said. Production will remain as normal at the Enocell mill and shift from dissolving pulp to other pulp grades for other end uses.

“As we always do, when taking business decisions, we have looked at the matter holistically considering strategy, sustainability and financials,” the spokesperson added. “Our strategic direction remains in line with what we communicated on the Capital Markets Day in November 2020 and exiting our dissolving pulp business for viscose production will not have material impact on our financial results.”

Stora Enso says on its website that its Beihai Mill in the Guangxi region of southern China is a consumer board mill that produces high-grade carton board products. It also has four production units in China that produce packaging for consumer products, including carton, rigid and corrugated boxes, paper bags and user manuals and molded fiber.

The four mills are Dongguan in Guangdong in southern China, Qian’an in Hebei in northern China, Jiashan in Zhejiang in eastern China and Changzhou in Jiangsu, also in eastern China.

Source: sourcingjournal.com - Mar 30, 2021

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Untangling from Xinjiang cotton will be easier said than done

It would be difficult for Australia to disentangle itself from the supply lines that connect the Xinjiang cotton fields to its retail clothing industry.

Almost two-thirds of the clothing sold in Australian stores is manufactured in China, according to United Nations trade data. For some cotton products, China's share is much greater than the average. About 80% of men's underwear, 90% of handkerchiefs and as much as 98% of some categories of cotton fabric come from China.

Only about 4% of Australia's clothes are manufactured locally, and much of that uses Chinese fabric and yarns.

Xinjiang accounts for 87% of China's domestic cotton production. In between the Xinjiang cotton fields and the Australian shops are the gins to separate the fibres before they're spun into yarn, woven into fabric and then cut and sewn into clothing.

At each link in this chain, the mix of raw material supply can vary. While China accounts for 21% of global cotton production, it doesn't produce enough to meet the needs of its apparel industry. China has to import about a quarter of its cotton.

Chinese-made fabric may contain cotton from a variety of both Chinese regional and international sources, and China exports both cotton yarn and fabrics to apparel-manufacturing nations across Asia. Xinjiang cotton can find its way into clothing without importers necessarily being aware of it.

China was an important customer for Australian cotton, buying about 70% of its crop, which in turn filled about 10% of China's import needs, until last October when the Chinese government told mills to stop their purchases as part of the campaign of economic coercion against Australia.

Australia no longer has a cotton-spinning industry, so the entire crop is exported. The Australian cotton sector is confident that other buyers can be found in Asia.

Although the US has led the campaign against the use of forced labour in Xinjiang, it has been the chief beneficiary of the informal bans on Australian cotton. China's share of US exports rose from around a third to a half in the closing months of 2020.

The US retains some capacity to process its own cotton and make yarn and clothing, but it still exports about 90% of its crop for processing, predominantly in Asia.

In December, the Trump administration imposed sanctions on products derived from Xinjiang cotton. Clothing manufacturers have to demonstrate that their supply chains do not include cotton from Xinjiang. US Customs and Border Protection clarified in January that the ban applied to products 'made in whole or in part' from Xinjiang cotton 'regardless of where the downstream products are produced'.

The Washington Post reported last month that US Customs and Border Protection was warning that ignorance was no longer an excuse. 'CBP's message to the trade community is clear: Know your supply chains.'

Major US brands had been coming under growing pressure to abandon cotton from Xinjiang over the previous year. ASPI's report Uyghurs for sale in March last year, highlighting the dependence on Uyghur forced labour by 82 major brands, contributed to that pressure.

The 'Better Cotton Initiative', which was started by the World Wildlife Foundation in 2005 to improve labour practices across the global cotton industry, last year suspended its licensing of Xinjiang-produced cotton, leading a number of major brands, including H&M, Gap, Nike and Ikea, to stop cotton purchases from the region.

Some clothing brands are avoiding Chinese-made fabric altogether just to be certain they're not breaching US sanctions.

It's easier for the US, which obtains 70% of its clothing imports from non-Chinese sources, to make that switch than it is for Australian importers, who get just 35% of their supplies from outside of China.

The US ban is having an effect. The Washington Post report cited a profit warning from Chinese yarn manufacturer Huafu Fashion telling investors that 'multiple American brands have canceled orders', which was contributing to losses.

After the coordinated US, UK, EU and Canadian sanctions were imposed last week on officials connected with China's policy towards the Uyghur minority, China's Communist Youth League called for a boycott of the Swedish retailer H&M, which has about 400 stores in China.

This was followed by calls on Chinese social media for boycotts of Nike, Adidas, Zara, Burberry, Fila and Gap. For many major Western clothing brands, China has been their biggest growth market for the past decade. China is the world's biggest apparel market, accounting for about 24% of global sales, followed by the US with 19%.

'Chinese people have the right to express their feelings. They do not accept the fact that foreign companies earn money from them on the one hand and smear China on the other,' foreign ministry spokesperson Hua Chunying said.

The tension between human rights pressure in brands' home markets and the commercial profit made from China is showing. The nationalist Chinese daily Global Times noted that Spanish retailer Zara had removed a statement from its website asserting it did not purchase supplies from Xinjiang.

Hugo Boss had a bet each way, posting a comment on China's Weibo that 'Xinjiang long cotton is one of the best in the world, we believe quality raw materials would show its value. We will continue to buy and support Xinjiang cotton,' while its main website continued to declare it did not buy any goods directly from Xinjiang.

In the organisation of global supply chains, the major Western companies have focused on design and brand management, while leaving the processing of raw materials, the spinning of yarn, the weaving of fabric and the manufacture of clothing to contractors in China and elsewhere. While the largest profits have been in the design and brand management areas, the share of those profits that has come from China is now under threat.

The Global Times commented that for Chinese suppliers that depended on orders from multinational firms, the Western boycott of Xinjiang cotton made it timely to refocus on the domestic market, saying this was consistent with the government's 'dual circulation' economic strategy.

The global apparel industry can adjust, although exclusion from Chinese markets would cause heavy losses for the major brands.

There are about 80 nations that grow and trade cotton, and Vietnam, Bangladesh, Pakistan and India are increasing their shares of global apparel production. The extreme dependency on Chinese supplies evident in Australia is not the case globally.

A shift by the big apparel brands away from China, whether by choice or coercion, is likely to result in the growth of non-Chinese markets for Australian cotton.

Source: aspistrategist.org.au – Mar 30, 2021

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Bid to weaken cotton sector fated to fail

Some Western politicians and media consider the Xinjiang Uygur autonomous region a weak link in China's economy, and believe if they impose sanctions on its cotton industry—one of the three pillars of the region's economy along with oil and coal—they can strike at China's cotton and textile sector.

Yet the "boycott" of Xinjiang cotton by some foreign companies will only damage their brand image in China, disrupt the global supply chains, and increase cotton prices in the United States and some European countries.

China's import and export of primary products reached $677.1 billion and $115.5 billion respectively in 2020. And although China is the third-largest cotton producer in the world, it has been the leading cotton importing country for years, with the import volume increasing from 1.16 million tons in 2016 to 2.16 million tons in 2020. True, China also exports cotton, but its export volume is a fraction of its total imports. As for China's cotton consumption, it was 8.02 million tons in 2020, of which Xinjiang cotton accounted for 64 percent.

The main drawback of China's cotton industry is the imbalance between supply and demand, with the shortfall being made up by exports for years. China produced 5.95 million tons of cotton in 2020 while its total demand was 7.8 million tons, which means a shortfall of 1.85 million tons. And the fact that Xinjiang produces 87 percent of the cotton in China but meets only 64 percent of the domestic demand suggests that, if banned by some Western countries, the rest of the 23 percent of Xinjiang cotton could be easily consumed within the country's borders.

The ban on Xinjiang cotton is aimed at halting the exports of Chinese-made textiles and footwear, leading to the shifting of the manufacturing chains from China.

Better Cotton Initiative, an NGO headquartered in Switzerland, has initiated the "boycotting" of Xinjiang cotton based on false allegations of forced labor to undermine China's cotton and textile industry, which it has no right to do, because only a sovereign state is entitled to take enforcement measures against another sovereign state.

Some countries have imposed sanctions on some Chinese officials and entities in the name of so-called forced labor in Xinjiang. And the US has banned the import of cotton and cotton products from Xinjiang and added some Xinjiang enterprises to its Entity List.

Yet Western countries, companies and NGOs will never succeed in destroying China's cotton and textile industry by banning cotton and textile imports, because China can adjust the supply chains by encouraging cotton growers in Xinjiang and textile manufactures to sell their products in domestic or other foreign markets, while continuing to export cotton produced outside Xinjiang to the US. This may cause some problems for Chinese companies, but China can overcome those problems.

China's clothing and related industries have provided jobs to millions of people and increased the country's overall exports. Although China has been the largest exporter of textile products for decades, its clothing industry is facing rising labor and land costs. But the fact that the export of textile products reached 1.07 trillion yuan ($162.88 billion) in 2020, up 30.4 percent year-on-year, shows the sector's resilience and competitiveness.

China's export of textiles and apparel to the US has declined in recent years —the US accounted for about 17 percent of China's textile and apparel exports in 2019 but the figure dropped to about 15 percent in 2020.

As long as China maintains social stability, some countries' sanctions against Xinjiang cotton will have little effect on the Chinese economy. And though some countries and regions may follow the US' lead and take similar action, they cannot cause much damage to China's cotton and textile industry, because, according to the US Department of Agriculture's monthly Cotton and Wool Outlook, released on March 11, both cotton production and consumption in China are expected to grow this year with improved yield in Xinjiang.

The US Agriculture Department also released a cotton outlook on Feb 19, saying China's 2020-21 cotton production is expected to reach 29 million bales, up nearly 2 million bales year-on-year, the highest in six years. In specific terms, China's cotton yield is estimated to reach a record 1,943 kilograms per hectare, up 13 percent year-on-year.

A similar situation happened last year when China started exporting medicines and equipment to help other countries to contain the spread of the novel coronavirus.

But despite some countries' desperate attempts to smear China, the country became the world's biggest supplier of anti-pandemic materials, shipping 438.5 billion yuan worth of materials to more than 200 countries and regions from March to December 2020, according to foreign trade data released by the General Administration of Customs in January.

Given these facts, the evil design to strike at China's cotton and textile industry is doomed to failure.

Source: chinadaily.com.cn – Mar 31, 2021

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PRC to extend pilot scheme for cross-border e-commerce

To facilitate trade and further open up, the Chinese government will expand the piloting of cross-border e-commerce retail imports to all cities and regions where pilot free trade zones (FTZs), comprehensive cross-border e-commerce pilot zones, comprehensive bonded zones, demonstration zones on import promotion, or bonded logistics centres are situated.

According to a notice issued by the country's commerce ministry, once verified for regulatory requirements, related cities and regions will be approved to run bonded import businesses via e-commerce.

China has so far set up 21 FTZs and 105 comprehensive cross-border e-commerce pilot zones to facilitate its opening-up policy at a higher level.

Source: fibre2fashion.com– Mar 31, 2021

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UAE retail sales projected to expand by 13% to $58 bn by 2021 end

UAE retail sales are expected to rebound and grow by 13 per cent to reach $58 billion by the end of 2021, supported by pent up consumer demand in the second half of the year, COVID-19 vaccination efforts and Expo 2020 Dubai, according to a projection by the Dubai Chamber of Commerce and Industry based on recent data from Euromonitor International.

The chamber said UAE retail sales are forecast to maintain a 6.6 per cent annual growth in the medium term to reach $70.5 billion by 2025, with store-based retailing growth forecast at a compounded annual growth rate (CAGR) of 5.7 per cent, while non-store retailing is forecast to grow at a CAGR of 14.8 per cent.

Progress related to the UAE's vaccination campaigns is expected to boost demand in the second half of this year and attract consumers and tourists back to traditional stores. Expo 2020 Dubai, scheduled to kick off this October, is expected to be a major catalyst for the recovery of the retail sector, in addition to the support and incentives provided by governments to business sectors at the federal and local levels.

The United Arab Emirates currently leads the Middle East and North Africa (MENA) region in terms of household spending on e-commerce at $2,554 per household, which is twice the value of the global average of $1,156, and four times the value of the average in the MENA region ($629).

As new retail space in the UAE continues to come online in the short term, the market has become more favourable to tenants, due to expected lower rents and more available options, a trend which should support the recovery of retail businesses.

The analysis by the chamber found that the COVID-led digital shift has created new growth opportunities for regional expansion for traditional retail and e-commerce companies based in the UAE, especially in markets with large populations, such as Saudi Arabia, Egypt, Algeria and Morocco.

Source: fibre2fashion.com – Mar 31, 2021

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Japan's garment imports declined in January '21

Ministry of Finance, Japan informs, the country's garment imports declined on a yearly basis to $1.85 billion in January '21 as compared to $ 2.66 billion imported during the same month in 2020. As per Apparel Resources, shipments by all major manufacturing destinations declined on a Y-o-Y basis, while some of them noted growth on M-o-M basis. China's shipments declined by 3.60 per cent on a M-o-M basis and by 31.82 per cent on Y-o-Y basis. Vietnam's shipments plunged by 7.17 per cent on monthly note and 32.17 per cent on yearly note to clock $ 283.97 million.

The value of India's apparel shipments grew 96.63 per cent on a M-o-M basis to value $ 21 million in January '21 while it declined by 23.82 per cent on a Y-o-Y basis from January' 20. Indonesia shipped apparels worth $65 million in January '21 to Japan – marking 8.70 per cent over December '20. Bangladesh exported apparels worth $77 million in January '21, its value declining by 8.77 per cent on monthly note and 27.09 per cent on yearly basis.

Source: fashionatingworld.com – Mar 30, 2021

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Cambodia extends COVID-19 support programmes for 3 months

The Cambodian government has extended its financial support programmes to aid the garment and footwear, travel bag, textile, aviation and tourism sectors and the poor for another three months—from April to June. This is the eighth round of government support to the private and public sectors in response to the severe impact of the COVID-19 pandemic.

A government statement said the measure will contain the spread of the virus and support and stabilise the economy and businesses in the affected sectors.

The country placed orders for COVID-19 vaccines and rolled out its vaccine inoculation programme.

A community event on February 20 has resulted in many positive cases of COVID-19 in the country.

"After scrutinising and thoroughly checking on the socio-economic, health, trade and investment and local and international frameworks, the government has decided to extend its financial support programmes in order to reduce the impacts of the Feb 20 community event, to validate the previous measures which will become invalid in the near future, to rehabilitate businesses to boost growth and to support the poor and vulnerable people through the cash assistance support programme," media reports quoted the government statement as saying.

The government has decided to continue to provide $40 per month for workers in these sectors for an additional three months. Factory owners also have to pay an additional $30 per worker (a total of $70 per worker per month).

Source: fibre2fashion.com– Mar 31, 2021

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German newspaper highlights Vietnamese market's prospects

German's DVZ e-newspaper has run a story by Claudius Semmann highlighting Vietnam's success in controlling the COVID-19 pandemic and secure economic development, maintaining its bright outlook amid the global crisis.

The article noted that Vietnam has been very successful in dealing with the pandemic and has already developed into a popular production base.

By the end of 2020, the nearly 100 million-strong country had only reported 1,465 laboratory-confirmed COVID-19 cases and 35 deaths, it said.

It cited data from the International Monetary Fund (IMF) showing that the economy grew by 2.9 percent, one of the highest rates in the world. However, this was its lowest growth in 30 years, according to the report on the Agility Emerging Markets Logistics Index. Domestic activity had recovered early. There was also a robust export trend, especially in the high-tech area, it added.

According to the Transport Intelligence (TI) market researchers, Vietnam benefits from the free trade agreements with the EU and the UK as well as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which has provided Vietnamese goods with better access to the Canadian and Mexican markets. Both before and during the pandemic, the country attracted investments, including those from manufacturers who wanted to relocate their production from pandemic-hit areas.

In recent years, Vietnam has moved the value chain from textiles and clothing to microchips, smartphones and other electronics. Apple and its suppliers Foxconn and Pegatron as well as Panasonic were among the companies that started manufacturing in Vietnam, expanded production or announced new production plans there in 2021, it said.

According to TI data, around 40 percent of exports go to the US and the EU. It pointed out that Vietnam may face problems in infrastructure system such as roads and ports.

The article also cited current analysis by the international credit insurer Atradius indicating that Vietnam is also one of the markets in which German exporters have good prospects of generating additional sales in the second coronavirus year.

Thanks to low wage costs and favourable conditions for foreign direct investment, many companies are relocating simple production steps from China to Vietnam, Atradius expert Thomas Langen was quoted as saying.

According to the article, companies in the transport and logistics as well as textiles sectors will benefit from the increasing global demand. Domestically, agriculture, construction and infrastructure as well as retail and durable consumer goods manufacturers benefit from expanding domestic demand, it added.

Source: en.vietnamplus.vn – Mar 31, 2021

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Vietnam's textile-garment sector to fully recover in 2022 2nd half

Vietnamese textile-garment exports contracted by 10.5 per cent last year due to the pandemic, raking in $35 billion, in contrast to regional rivals that endured a decline of 15-20 per cent. The sector is poised to fully recover from the crisis in the third quarter of 2022 at the earliest possible time, says Le Tien Truong, group general director of Vietnam National Textile and Garment Group (Vinatex).

This is the first major setback for the sector after 25 years of penetrating the global market, he said. Though the global market is showing signs of recovery, the number of orders and prices remain modest, he said.

Several local enterprises, including Vinatex, have received orders up until the end of April or even July and August for some commodities such as knitwear and other popular items, he told a Vietnamese newspaper.

Truong observed that garment firms are unlikely to fulfil signed contracts, and more importantly, the sector's position in the global supply chain is also threatened.

During the course of the year ahead, the domestic textile and garment sector is forecast to achieve an export turnover of approximately $39 billion.

Source: fibre2fashion.com– Mar 30, 2021

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Bangladesh: SMEs need credit the most

Banks tell BB survey identifying 13 severely affected sectors

Bangladesh Bank has identified 13 sectors of the economy that have been severely affected by the first wave of the coronavirus pandemic, including travel and tourism, readymade garments, textile and small and medium enterprises.

They were identified in a central bank survey involving the country's 59 banks.

The survey was carried out as part of a central bank study titled "Economic and Financial Stability Implications of Covid-19: Bangladesh Bank and Government's Policy Response". The central bank made the study public on Monday.

The rest of the affected sectors are real estate and construction, education, transport and IT, trade and commerce, consumer credit, agriculture, ship-breaking and building, agro-based industries, healthcare, and power and gas.

The first five have been affected "most severely" as per the participating banks, the study said.

As much as 51 banks thought that travel and tourism were "dreadfully affected". Forty-seven banks identified the garment and textile sector, 45 banks identified SMEs, 32 banks identified real estate and construction, and 28 banks identified education as the dreadfully affected.

The survey was carried out in the second half of last year, taking into consideration sectors that needed the most credit support.

As per the responses, the SME sector has the highest credit demand in the near future, followed by the RMG and textile, trade and commerce, agro-based industries and agriculture.

Some 54 banks thought that the need for loans of the SME sector outweighed the requirement of other sectors. "The recovery in the SME sector might be slow, but steady growth may be achieved in due course if proper financial support is ensured," the study said.

The RMG and textile sector was the second highest credit-deserving sector as per 53 banks. The sector faced export orders cancellations and lower demand owing to uncertainty and continuation of the pandemic's spread in advanced economies.

Some 42 respondents perceived that the trade and commerce sector had the potential to grow fast and would require more credit to bring its growth momentum back on track.

The central bank has not considered the consequences of a second wave of the pandemic as it had just started to spread earlier this month, said a Bangladesh Bank official.

The first wave has considerably affected both the demand and supply sides of the real economy, which was partly reflected in slow growth of the GDP in the last fiscal year.

Though the agricultural sector showed some resilience despite the pandemic and other natural calamities, the real economy has experienced major slowdowns in the manufacturing and service sectors.

The manufacturing sector has been affected not only due to the demand-side shocks but also through the import channel as the pandemic has restricted the import of necessary raw materials for production from the major import partners.

The central bank has suggested that the authority concerned exercise some policy options to restore the accelerated growth trajectory of the economy from the ongoing economic slowdown.

The government may float a special bond to mark the 100th birth anniversary of Bangabandhu Sheikh Mujibur Rahman, naming it "Bangabandhu Centenary Bond (BCB)", to materialise his long-term vision.

To make Bangladesh a prosperous and developed nation, this bond's fund can be used for Bangladesh's transition towards a developed economy by 2041.

Funds from the special purpose bond may assist in financing the country's structural changes for generating mass-scale employment, socioeconomic advancement and empowerment, advancement in digitalisation, and upcoming mega projects, if required.

Besides, funds of this bond may be useful for reviving the economy from the Covid-19 shock, the study said.

The BCB can be a 30-year development bond. It might be issued both in local and foreign currency to attract local and global investors.

Tax exemption, inflation linkage, quarterly coupon, small denominations and put options can be the special features of this bond.

The government can also consider issuing a special social safety bond under the name Covid-19 Pro-Poor Bond (PPB) to address short-term socio-economic setbacks due to the pandemic.

The proceeds of the bond could be used for the people who have lost their jobs and whose livelihoods have been severely affected during the pandemic, in order to pull them out of the poverty line by ensuring job security.

This bond can particularly fund projects to tackle unemployment emanating from the pandemic, according to the study.

In particular, the government could announce some public work projects for the jobless informal sector workers for a limited time as a number of countries have already taken such initiatives.

The PPB can be tax-exempted and can contain put options and other facilities (small denominations and monthly coupon) to attract investors. The maturity of the bond could be five to 10 years.

Commoners, including non-resident Bangladeshis, banks, NBFIs and other financial institutions, might be eligible to invest in the bond.

Worldwide, many social bonds are increasingly getting popular, and the PPB in Bangladesh might be a promising one.

In addition, banks and NBFIs should continue to pay dividends cautiously, just as they did last year as per the central bank's instruction.

"The financial sector's post-Covid-19 resilience is yet to be understood. Globally, it is assumed that the post Covid-19 period would be challenging for financial institutions due to gradual withdrawal of regulatory relaxation," the study said.

To strike a balance between a healthy capital market and a sound banking sector, the dividend pay-out policy needs to be revisited and rationalised. This initiative may enhance the banking sector's capacity to absorb any unexpected losses.

The government can also think of bringing the SMEs under a relaxed tax policy. Healthy growth of the SME sector is vital from an employment perspective, the study said.

The central bank official said a fresh study should be carried out as the second wave of coronavirus infections has already hit the country.

"This will help assess the actual loss of the financial sector. And a set of proposals will be required to fight the probable economic slowdown that would be brought on by the second wave," he said.

Source: thedailystar.net – Mar 31, 2021

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NATIONAL NEWS

Govt likely to extend further current foreign trade policy

The government is expected to further extend the existing foreign trade policy (FTP), which is scheduled to lapse from April 1 this year, for few more months, an official said.

FTP provide guidelines for enhancing exports to push economic growth and create jobs.

On March 31, 2020, the government had extended the Foreign Trade Policy 2015-20 for one year till March 31, 2021, amid the coronavirus outbreak and the lockdown.

The official said that stakeholder consultation is going on for the new policy and the existing policy could be extended for few more months.

In such a policy, the government announces support measures for both goods and services exporters.

Exports during April-February this fiscal dipped by 12.23 per cent to USD 256 billion. Imports during the period too declined by 23.11 per cent to USD 340.8 billion, leaving a trade deficit of USD 84.62 billion.

Federation of Indian Export Organisations (FIEO) Director General Ajay Sahai said that the current situation is fluid and it is good consideration to extend the FTP for few more months.

“Currently the global trade situation is fluid and we would prefer that the new FTP should come when the situation stabilises. It will be a good decision to extend it further,” Sahai said.

Source: financialexpress.com– Mar 30, 2021

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Centre releases ₹30,000 crore as GST compensation to States/Uts

The Centre, on Monday, released ₹30,000 crore to States and Union Territories (UTs) as compensation towards GST shortfall for the FY22.

With this, the total amount of compensation released so far for the current fiscal is ₹70,000 crore, while approximately ₹63,000 crore more is to be paid. This is apart from the back-to-back loan of nearly ₹1.10-lakh crore released in lieu of shortfall in GST compensation.

On Tuesday, the Centre also released ₹28,000 crore by way of adhoc settlement of IGST (Integrated Goods & Services Tax). Of this, States got ₹14,000 crore, while the remaining went to the Central account.

The Goods and Services Tax (Compensation to States) Act 2017 mandates payment of full revenue compensation for the first five years from the date of introduction of GST. It is paid bi-monthly; the last instalment for a financial year is given the following year.

For calculating the compensation amount, the projected nominal growth rate of revenue subsumed for a State during the transition period has been fixed at 14 per cent per annum.

For calculation, 2015-16 has been taken as the base year. Cess is levied on various goods and services falling in the category of 28 per cent slab to pay for the compensation.

Source: thehindubusinessline.com– Mar 30, 2021

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CBIC notifies new system for filing bill of entry for importers

The Central Board of Indirect Taxes and Customs (CBIC) has notified a new system for filing Bills of Entry (BE) for import. Tax officials feel the new system will help in a quicker clearance of goods.

Detailed provisions were made in the Finance Bill 2021. After approval by the Parliament and assented by the President, this has become an Act. Now, after consultation with trades, CBIC has notified new regulations, which prescribes different time limit for filing BEs.

BE is a legal document filed by importers or customs clearance agents on or before the arrival of imported goods. It is submitted to the Customs authority for clearance procedure.

According to the new regulations, if a consignment comes from Bangladesh, the Maldives, Myanmar, Pakistan or Sri Lanka via the sea route, the BE is required to be filed latest by the end of the day of arrival. For all other countries, importers will be required to file by the end of day preceding the day of arrival at the sea port. In case a consignment arrives at an airport or a land customs station (LCS), the BE will be required to be submitted by the end of the day of the arrival.

The CBIC has clarified that the existing provision that a BE may be presented up to 30 days prior to the expected arrival of the aircraft or vessel or vehicle carrying the imported goods continues. Thus, with certain exceptions, as notified, the BE can now be filed any time from 30 days prior to the expected arrival up to the end of the day preceding the day of such arrival, the board said.

“Advance-filing will help in better risk management, besides ascertaining whether goods need to be scanned. Also, the importer can pay the duty in advance,” said a senior CBIC official. The board has also urged importers to file the BE well in advance and definitely by the time-lines. Non-adherence of the time-lines will attract late charges, the board said.

The board has also clarified that a time-line will be considered where the good has originally been loaded and from where it has been transhipped.

For example, in respect of goods consigned from Sri Lanka by a Sri Lankan exporter, the BE is to be filed latest by the end of the day of the arrival, whereas in respect of goods consigned from Hong Kong, but merely transhipped through Sri Lanka, the BE is required to be filed latest by the end of day preceding the day of the arrival of the vessel.

The board has noted concerns from importers regarding non-availability of Master Bill of Landing(MBL)/Master Airway Bill (MAWB) within the prescribed time-limits leading to delay in filing advance BE. Accordingly, it has been decided to do away with this requirement. Here, only the reference to House Bill of Lading (HBL)/House Airway Bill (HAWB) would be sufficient at the time of advance filing.

Source: thehindubusinessline.com– Mar 30, 2021

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Higher import tariffs will hurt Atmanirbharta

A well-calibrated Foreign Trade Policy is key to helping import competing *industries. Higher import tariffs will hurt exports*

An overarching goal of the forthcoming national Foreign Trade Policy (FTP) will be to turn trade into an engine of economic growth that is also sustainable. Trade induced economic growth occurs through different channels including trading greater volumes and products of higher value.

The growth sustainability challenge refers to cost competitiveness in maintaining a global presence, and the environmental implications which involve the use of greener technology that is generally costlier. Cost competitiveness translates to lower input costs on account of labour, material, machines, infrastructure and logistics.

Both growth and sustainability, in turn, have employment implications. For instance, greater exports will support employment, while the use of modern production techniques to save on the rising labour costs can impact adversely. Thus, trade policy is often evaluated for its employment impact. However, tweaking FTP for an employment outcome can be counter productive in the long run.

Impact on jobs

Often a liberal import policy is criticised for its employment displacing effect. This simplistic view is misleading and fails to consider the full range of factors through which exports and imports can affect employment. The overall effect of trade on employment is what matters in the end. Imports are considered as a leakage in the circular flow of income within the domestic economy and hence expected to reduce employment. A thorough and deeper understanding is necessary.

The available estimates based on Input-Output analysis confirm the positive effect of exports and negative effect of imports on employment. The net trade generated an employment surplus of 2.3 per cent of total employment, during 1993-94, a period closely reflecting the pre-liberalised economy. By the end of the following two decades, this transformed into an employment deficit of (-) 1.5 per cent from net trade; trade flows being measured at the prices prevailing during the pre-liberalised period (to account for inflation).

It is relevant here to note that the employment effects are a composite of direct employment and indirect employment (generated within the upstream suppliers), with the latter being more significant. Prior to the trade liberalisation, an indirect employment–to–direct employment ratio of 1.08 was registered for exports, signifying that the indirect employment effects of export were greater and the exports benefit other producing sectors through employment support.

Over the following two decades, the ratio increased to 1.4, emphasising the indirect employment potential of exports, which was 40 per cent more than the direct employment. With regard to imports, the indirect employment foregone therein other sectors of the economy has been comparably high at 1.73 times the direct employment during the pre-liberalisation period. The ratio increased further to 1.94 indicating that the indirect employment foregone has been nearly double the (direct) employment foregone due to imports.

However, the static linkages are just one of the several channels through which exports and imports can affect employment. Policy prescriptions should be based on an understanding of the full range of the channels through which trade can affect employment.

While the direct and static effect may well be negative, imports can positively contribute to employment growth through a number of indirect and dynamic channels. In general, in a world of global value chains (GVCs), export growth is found to be complementary with import growth. Further, imports of intermediate and capital goods are an important channel through which domestic firms can acquire the benefits of foreign technology, and improve their efficiency and competitiveness.

Boosting domestic competition

In fact, import liberalisation is often used to strengthen domestic competition, which ultimately benefits the consumer through lower prices. Greater competitive pressure from imports as well the access to better quality intermediate inputs would exert a positive influence on the productivity levels of domestic firms, which, in turn, would lead to higher production, export and employment growth. Lower tariffs on intermediate inputs would also encourage MNCs to undertake export promoting investments in the country and domestic industries to participate in GVCs. Greater participation in GVCs in turn would lead to higher exports and employment.

In short, under a dynamic setting, not only exports but also imports help output and employment growth through channels such as learning from exporting, exploitation of economies of scale, knowledge spill-overs from foreign market participation etc. Keeping the dynamic gains from trade liberalisation aside, and considering just the static perspective, a high volume of exports can still more than offset the employment foregone due to imports. The relative (high) employment intensity of exports further underscores their role in employment generation and hence the continued impetus on export promotion is necessary.

On the import front, the increasing employment forgone, as also through its stronger indirect impact should not be interpreted to advocate for (continued or higher) import protection. Past experiences have shown that import protection through a trade policy, without an industrial policy in place, can be only a temporary guard against unemployment.

Although raising tariffs can be a source of interim employment relief, an industrial policy must be used simultaneously to strengthen the domestic industry. It needs to be unmistakably recognised that employment forgone from imports is due to the inability of domestic producer to compete. And, eternally higher tariffs are not a solution.

In fact, resisting imports without a domestic competence can be a severe restraint as observed in the post-Covid period where many domestic industries, such as tyres and pharmaceuticals, suffered either from limited or costlier supplies, when the Chinese imports were opposed. Therefore, the domestic industry must be brought on a strong footing; which cannot be expected through raising the tariffs alone.

The experience of Indian economy is found in contrast to the experience of smaller economies such a Vietnam where employment in both exporting and importing sectors increased under conditions of increasing liberalisation and greater competition. So catching-up on the exports under an import-constraining regime will not be an effective mechanism to achieve Atmanirbharta. In fact, import competing industries should be supported through a policy to improve their competitiveness comparable with international standards. Raising tariffs will impact the export(ers), eventually hurting export-supported employment.

Source: thehindubusinessline.com– Mar 30, 2021

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Suez Canal blockage to have ripple effect on the container trade

Will aggravate the already global container imbalance and increase freight rates in the coming days

It was a big relief for the global maritime trade as the container ship 'Ever Given' that blocked the critical Suez Canal for six days was successfully refloated on Sunday. But the blockage is going to have a ripple effect on the container trade, aggravating the already global container imbalance and increase in freight rates in the coming days.

The Suez Canal is an important maritime link providing the shortest sea link between Asia and Europe. Nearly 12 per cent of global trade passes through the Suez Canal.

Every day, 50 cargo ships pass between the Mediterranean and the Red Sea, providing a vital trade corridor between Europe and Asia.
Due to the blockage, over 350 ships, including a large number of container vessels, are at anchorage to pass through the canal. The global container capacity is around 24 million TEUs (twenty-foot equivalent units).

Cargo delays

Lars Jensen, a leading expert in the container shipping industry, based in Denmark, in his LinkedIn post a week ago said that blockage could cause the delay of 1,10,000 TEUs of cargo.

It simultaneously delays the movement of 55,000s TEU of containers back to Asia per day – further adding delays to getting empty containers available in Asia. Adding to this the impact on Asia-USEC and Mid-East/India to Europe services via the Suez Canal, he said.

As the container imbalance caused by the Covid-19 pandemic was settling down, the blockage has aggravated the situation. "We can expect freight rates to increase soon," said G Raghu Shankar of the Chennai-based International Clearing and Shipping Agency.

Global shipping lines have already indi cated that the blockage is likely to have a ripple effect on the container trade.

Firms' advisory

In an advisory, the Danish shipping line Maersk said that even when the canal gets reopened, the ripple effects on global capacity and equipment are significant and the blockage has already triggered a series of further disruptions and backlogs in global shipping that could take weeks, possibly months, to unravel.

Currently, Maersk and partners have three vessels stuck in the canal and 29 vessels waiting to enter the canal, with more expected to reach the blockage today. It has redirected 15 vessels around the Cape of Good Hope at the southern tip of Africa.

These decisions were made close to the point of no return and it is expected that they will continue via the south of Africa, also to reduce the number of vessels in the queue, the Line said.

Assessing the current backlog of vessels, it could take six days or more for the complete queue to pass. As more vessels either reach the blockage or are redirected, this is an estimate and is subject to change.
CMA-CGM of France said that as of March 27, nearly 20 ships, including that of partners, are stuck at the canal.

Mediterranean Shipping Company, a Swiss-Italian international shipping line, says that the incident is to have a very significant impact on the movement of containerised goods, disrupting supply chains beyond the existing challenges posed by the Covid-19 pandemic.

Due to the blockage, many ships have been rerouted around the Cape of Good Hope. However, this will cost the lines dearly as the 9,000 km diversion will take seven to 10 days longer and adds a huge fuel bill to the trip between Asia and Europe. The additional bill will have to be borne by consignees, said experts.

Source: thehindubusinessline.com– Mar 30, 2021

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India’s economic output in 2021 likely to remain below 2019 level: UNESCAP

The United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) said on Tuesday that India’s economic output in 2021 is expected to remain below the 2019 level.

“Despite a robust reduction in new Covid-19 cases and the start of vaccine roll-out, India’s 2021 economic output is expected to remain below the 2019 level,” said a report by UN body titled ‘Economic and Social Survey of Asia and the Pacific 2021’. Further, it mentioned that maintaining low borrowing costs while keeping non-performing loans in check would be a challenge.

According to the report, India is estimated to record an economic growth of 7 per cent in 2021-22, over a contraction of 7.7 per cent witnessed in the previous fiscal on account of the pandemic’s impact on normal business activity. Observing that India entered the pandemic with subdued GDP growth and investment, the report said: “Following one of the most stringent lockdowns in the world, the economic disruptions that the country experienced mounted in the second quarter of 2020,” it said.

It added that a subsequent change in lockdown policies and success in reducing infection rates supported an impressive economic turnaround in the third quarter. However, the pace of recovery moderated in the fourth quarter, with estimated year-on-year growth still close to zero. “Despite a robust reduction in new Covid-19 cases and the start of vaccine roll-out, India’s 2021 economic output is expected to remain below the 2019 level,” it mentioned.

In its second advance estimates of national accounts, the National Statistical Office (NSO) has projected an 8 per cent contraction in 2020-21, showing the impact of the pandemic.

The report futher said: China’s swift and effective response to Covid enabled it to become the only major economy worldwide to achieve a positive annual economic growth rate in 2020. Supported by strong recovery in industrial production, infrastructure and housing investment, merchandise exports, and a modest recovery in private consumption, its 6.5 per cent year-on-year growth rate in the fourth quarter exceeded pre-pandemic growth levels.

The report forecasts that on an average, developing Asia-Pacific economies are expected to grow 5.9 per cent in 2021 and 5 per cent in 2022, after having experienced an estimated contraction of 1 per cent in 2020.

Despite a reasonably strong rebound expected in 2021, a 'K-shaped' recovery is likely, with poorer countries and more vulnerable groups marginalised in the post-pandemic recovery and transition period, it said. For a more robust and inclusive recovery, the report calls for a more synchronised Covid vaccination programme across countries and highlights opportunities to leverage regional cooperation. At the same time, it recommends that fiscal and monetary support should be sustained, as premature tightening could increase long-term scars.

Source: thehindubusinessline.com– Mar 30, 2021

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'US ban on Xinjiang cotton cranks-up India's yarn exports'

The US move to ban use of China's Xinjiang cotton has cranked up India's yarn exports, ratings agency Crisil said.

Besides, the agency expects operating profits of cotton spinners will double next fiscal as revenue spurts 20-25 per cent on higher sales to Asian buyers and appreciation in cotton yarn prices.

Consequently, the credit outlook for cotton spinners, which was negative in the first half of this fiscal, will turn positive next fiscal, as accruals improve and inventory reduces, Crisil said in a study.

According to the agency, with global demand for knitted garments and home textiles recovering faster than expected due to extended stay-at-home period, and sharper focus on health and hygiene, exports of yarn to China, Bangladesh and Vietnam rose 22 per cent, 39 per cent and 51 per cent, respectively, on-year in April-December 2020.

What has also helped is the US move to ban use of Xinjiang cotton, which has cranked up Indian yarn exports, the study said. Supplementing exports, the agency said is the expectation of revival in domestic demand next fiscal owing to recovery in discretionary spending by consumers.

Resultantly, the overall revenues of cotton spinners, which is set to decline 14-16 per cent this fiscal, should rebound next fiscal.

Spreads, too, have improved, the study said, pointing out that as a rebound in global demand lifted prices of yarn higher than cotton.

Earlier, spreads had narrowed to Rs 80-85 per kg in June-August from as wide as Rs 103 in May, and clawed back to Rs 90-95 in September-December.

This trend should continue in the next fiscal year, given improving demand, the study said.

Capacity utilisation of spinners has also risen from 70-80 per cent in the second quarter this fiscal to 90 per cent in the third, and is likely to remain high next fiscal, too, which supports revenue, said Gautam Shahi, Director, Crisil Ratings.

That, and widening cotton and yarn spreads would mean operating margins of spinners would increase 200-250 bps on-year to 11 per cent next fiscal, and operating profits would almost double.

As per the study, with demand rising, inventory should decline to typical levels of 2-3 months by the end of this fiscal, from around 4 months a year ago.

That would reduce dependence on short-term borrowings, it said.

The credit outlook for cotton spinners is positive as improving cash accrual and lower working capital debt will burnish debt protection metrics next fiscal, said Kiran Kavala, Associate Director, Crisil Ratings.

We expect the credit ratio to improve next fiscal driven by improvement in debt protection metrics such as interest coverage and net cash accrual to total debt of cotton spinners estimated to double to over 4 times and 0.25 time, respectively, next fiscal from an estimated 2 times and 0.12 time, respectively, this fiscal.

In addition, the study cited that higher exports and yarn realisation have helped spinners recover a chunk of the losses incurred in the first quarter of this fiscal.

"That said, China's stance on cotton yarn imports and the sustenance of higher spreads remain the monitorables," the study said.

Source: sify.com– Mar 30, 2021

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Telangana to increase cotton area to 80 lakh acres

State governments wants farmers to shift from paddy

After topping Gujarat to become the second-largest State in cotton acreage, Telangana now wants to consolidate its position by adding another 15-20 lakh acres in the upcoming kharif season, taking the area under the fibre crop to 75-80 lakh acres.

While asking the farmers to increase the acreage, Chief Minister K Chandrashekar Rao has asked the officials of the Agriculture Department to make arrangements to mobilise the seeds required for the kharif.

Farmers generally use two packets (of 450 gm each) in an acre, pegging the total requirement at 1.50-1.60 crore packets.

The State, which had experimented with the Regulated Cropping System last year, had dramatically increased the cotton area to 60 lakh acres from the previous record of 46 lakh acres in 2019. As they achieved the target of 60 lakh acres, the Telangana farmers had surpassed Gujarat, the second largest cotton player, which grows cotton on about 56 lakh acres.

In 2019, Gujarat cultivated cotton on 66 lakh acres, while their peers in Telangana grew the crop on 46 lakh acres. Maharashtra, with 1.04 crore acres, tops the list in cotton acreage.

Cut likely in paddy area

Meanwhile, the State wants its farmers to grow redgram (pigeon pea) on 20-25 lakh acres, more than double the area from last kharif.

The additional stress on cotton and redgram indicates that the State wants its farmers to reduce their excessive dependence on paddy. During the last kharif, farmers grew paddy on 53 lakh acres out of the total cropped area of 1.36 crore acres.

Source: thehindubusinessline.com- Mar 30, 2021

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SIMA launches ELS organic cotton contract farming pilot in Tamil Nadu

Coimbatore-based Precot Limited recently signed a memorandum of understanding (MoU) with SIMA Cotton Development & Research Association (SIMA CD & RA) for extra-long staple (ELS) organic cotton cultivation by supplying all inputs free to farmers and guaranteeing to procure cotton at market price. The MoU was signed for pilot production over 500 acres at Semmandipatti village in Namakkal district.

“The organic ELS cotton will have staple length of over 33 mm and would be suitable for production of organic yarn of counts up to 80s. The crop duration is around 160 days and expected to offer a productivity of 10 quintals per acre,” R Ravichandran, SIMA CD & RA chairman, said in a press release.

Though India has become the largest producer of cotton in the world, the country faces acute shortage of ELS cotton as the Bt variety introduced in 2003 was only for long staple cotton. The country consumes around 20 lakhs bales of ELS cotton while it produces only 4-5 lakhs bales in a year and imports around 15 lakh bales of such cotton.

“The government of India has been encouraging promotion of ELS cotton and is in the process of announcing a scheme shortly,” Ravichandran said. “As the organic certification agency and Agricultural & Processed Food Products Export Development Authority have tightened the norms for organic cotton cultivation, the industry is facing acute shortage of organic cotton.”

Source: fibre2fashion.com– Mar 30, 2021

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