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SAYING NO TO CHILD LABOUR

# INTERNATIONAL NEWS

## Biden may not undo Trump policies soon

*The US' inward-looking stance and trade war with China will continue at least till its economy recovers from the pandemic blow*

Under the Trump presidency, the legitimacy of the WTO was constantly questioned, if not trivialised. For example, on February 11, 2020, the US Trade Representative (USTR) office published the Report on the Appellate Body of the World Trade Organization, in which it complained about the adjudicators taking away members' rights.

The USTR, speaking on the US-China trade war, reportedly said in September 2020: "The WTO is completely inadequate to stop China's harmful technology practices". Thus, primarily due to the obstructionist policies and hostile posturing of the Trump administration, the effective functioning of WTO came virtually to a standstill by 2020.

Hence, the election of Joe Biden as the US president led to an expectation that there would be a change in the disruptive policies followed by Trump . After assuming office, President Biden assured the world that the US is committed to internationalism and multilateralism. There were also some tangible signs of positive change. The US rejoined the Paris Accord and lifted the blockade against the selection of the WTO director-general.

Since then, the US has shown some signs of engaging in a few key areas of the multilateral trading system. Moving away from its traditional hardline position on intellectual property rights (IPRs), the US has supported the waiver of IPRs for Covid-19 vaccines. It has also been active in some areas of WTO negotiations, including fisheries and e-commerce. In the recent G7 meet, the US collaborated with other developed countries to reach a historic deal to tax multinational companies.

However, despite this renewed activism of the US in the global stage, it has continued with its hardline stance on several other trade issues. In some cases, it has reinforced some of the Trump era policy measures. For example, the Biden administration has not eased the high tariffs imposed during the previous government on several countries, including friendly ones like the EU; it has strengthened the "Buy American" clause; and it has not taken any steps to break the impasse of the WTO Appellate Body.

Thus, one wonders when we will see the rise of the brave old world of globalisation and multilateralism. There can be two broad reasons why the US may continue with many of the Trump-era policies.

**Domestic manufacturing**

First, it is possible that even under Biden, the US will not lower its guard against China and others. The US economy is still recovering from the pandemic shock, and the policy thrust of the US is towards boosting manufacturing jobs and promoting its industrial sector. The US government wants to achieve these through large-scale investments in domestic infrastructure and technology.

Biden, in his first State of the Union address to Congress, stated that the focus of his multi-trillion-dollar spending proposal for the US economy is to challenge China and to strengthen the global leadership of the US economy. Here, the focus of his policy is to fight China in the areas of trade and technology. To achieve this, the Biden administration is continuing with and sometimes expanding the restrictive tariff and trade policies of its predecessor.

The tariff policy is also used to protect US interests abroad. For example, the USTR recently announced a retaliatory tariff hike against several Indian goods, as India has imposed a tax on earnings of foreign technology and e-commerce firms, which includes big US firms.

As part of its fiscal policy, the US announced in its budget an unprecedented spending boost, amounting to around $6 trillion. Such massive spending will have a spillover in the external sector. To ensure that there is minimum leakage through increased imports, the US has tightened its "Buy American" rules. The "Buy American" clause was introduced in 1933, during the height of global protectionism, and was aimed at ensuring that the federal agencies purchase only from domestic business to boost domestic production and support US workers.

However, in 2014, the US has signed the WTO Government Procurement Agreement (GPA), which is a plurilateral agreement with 20 other countries as signatories. The core objective of the GPA is to ensure that government procurement is done in a non-discriminatory manner. Therefore, in spirit, the GPA agreement goes against the "Buy American" rules which are essentially discriminatory in nature.

Though the GPA does not cover all government procurement and there are some restrictions on its scope, given the size and the spread of the US stimulus, it is possible that the "Buy American" clause will come into conflict with some of the GPA commitments made by the US.

Also, such a massive state intervention to boost the competitiveness of US industries may invite investigations under the WTO Subsidies and Countervailing Duties agreement if the beneficiaries of these policies start selling their output in the international market.

Therefore, it is possible that Biden has recognised some of these potential threats and is not in a hurry to end the stalemate with regard to the WTO Appellate Body.

Thus, it appears that while the Biden administration is indeed committed to moving away from the protectionist policies of the Trump era, it may take it's own time to remove the restrictive measures. Perhaps, it is trying to ensure that the US fiscal stimulus does not get channelled into a higher demand for Chinese products. Till then, the US is likely to drag its feet in the WTO, continue to stall the Appellate Body functioning and carry on with its trade-war with China and other countries.

Notwithstanding the rhetoric, it seems that the brave old world may take some more time to rise.

Source: thehindubusinessline.com– June 16, 2021

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# Call for greater EU-US cooperation

On the occasion of the EU-US Summit in Brussels on June 15th, Euratex, representing the European textiles and clothing industries, issued a statement welcoming the event and expressing hopes that political leaders will launch a new era of closer cooperation across the Atlantic.

Both the Covid19 pandemic and recent geopolitical tensions call for global solutions, Euratex states, and the EU and the US should take a leadership role in developing that new global framework.

EU-US trade in textiles and apparel dropped by nearly 20% in 2020 to just under €6 billion, while imports from other countries, in particular China, have increased spectacularly – by 45% into the EU.

At the same time, global supply chains came under pressure,and access to certain raw materials for the industry became difficult and costly.

Against this background, Euratex stresses that it is not calling for protectionism, but a better functioning of global supply chains, with common rules which are applied by all.

The EU and US authorities should use their full influence to establish a level playing field for the industry across the globe, promoting environmental and social standards. Sustainable and circular textiles should become the norm, contributing to both a greener planet and creating high quality jobs.

At bilateral level, the EU and US should resume their work on mutual recognition of standards and certification procedures, saving considerable costs for companies while maintaining the highest safety standards. Custom procedures can be simplified on both sides, and joint research, such as into smart textiles, should be promoted.

Euratex also welcomes the recent progress in provisionally eliminating additional duties on several American and European products due to the Airbus-Boeing trade dispute.

It is a very positive sign that Euratex would like to highlight in a particularly difficult context for the textile and clothing industry at European, American and even global levels. Euratex is calling on both US and EU institutions to eliminate such duties permanently and build on a common positive agenda.

"Both the EU and US are developing a new business model for their industries," said Euratex director general Dirk Vantyghem. "We should make sure these models complement and reinforce each other. If not, we risk losing global leadership, not just in terms of market share but also in terms of values and standards."

The European textile and clothing industry is composed of 160,000 companies, mostly SMEs, employing 1.5 million workers generating a turnover of nearly €180 billion. Its exports are worth around €61 billion, and it has a complex and long supply chain, with great interconnection between American and European companies. EU textile and clothing exports to the United States in 2019 reached €6.5 billion and it is the number one non-European export destination.

Source: knittingindustry.com– June 16, 2021

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## UK GDP grows 2.3% in April 2021; fastest since July 2020

As government restrictions affecting economic activity continued to ease, the UK gross domestic product (GDP) is estimated to have grown by 2.3 per cent in April 2021, the fastest monthly growth since July 2020, the country's Office for National Statistics (ONS) has said. However, output in the production sector fell by 1.3 per cent in April 2021.

April's GDP remains 3.7 per cent below the pre-pandemic levels seen in February 2020, however it is now 1.2 per cent above its initial recovery peak in October 2020, ONS said in its GDP monthly estimate for April 2021.

April 2021 is the third consecutive month of GDP growth as coronavirus (COVID-19) restrictions continued to ease to varying degrees in England, Scotland and Wales. April 2021 growth was the fastest monthly growth since July 2020, when it grew 7.3 per cent.

In the three months to April 2021, UK's overall GDP grew by 1.5 per cent, mainly because of services output, boosted by strong retail sales over the three months.

Non-essential retailers also contributed to much of the growth as they welcomed customers back into stores from April 12 in England. Clothing stores saw a boost of 69.4 per cent.

Source: fibre2fashion.com– June 16, 2021

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# Peru Moda Highlights Country's Eco-Friendly Cotton, Textiles

Peru Moda, Peru's bi-annual textiles fair, showcased the Andean nation's growing environmentally friendly products as it looks to bolster exports and bounce from the pandemic.

The latest digital edition raised $11 million in potential sourcing contracts from 450 online appointments, according to organizer Peruvian export and tourism lobby Promperu.

Roughly 95 buyers attended online forums from 15 countries, it said, including the U.S., Mexico, Chile, Brazil and Argentina, meeting with 39 exporters.

They sought cotton and fibers for adults, children and babies, organizers said. Cotton and knitwear staples such as pima polos, T-shirts, dresses, leggings and pants were also in demand, they added, as were pajamas, sportswear and sweaters.

Peru's growing eco-friendly apparel and textiles were also on display just as the government works to promote environmentally responsible products as part of a Cotton USA partnership.
Marine algae, alpaca blends

"There were garments made of alpaca and organic cotton blends for babies and children," a Promperu spokeswoman said. "We also had some innovations such as marine algae-based fibers and items made of alpaca and silver blends which have fungicide properties and are being applied in socks."

Companies including online fashion brand Topitop, D'Peru Textil and knitwear maker Kero Design showcased these goods while Textil del Valle continued to promote its new green cotton line, alongside organic cotton supplier Naturtex, which makes a line of copper-based cotton called Qoperfina.
Some 10 Peruvian firms are now part of Cotton USA's U.S. Cotton Trust Protocol aimed at cutting global pollution from sustainably grown cotton.

Some of these firms, including Algodonera Continental, Confecciones Textimax, Hilandería de Algodón Peruano, Industria Textil del Pacífico and

Textil del Valle, are working on pilot programs or are already cutting water pollution by 82 percent, sources said.

Under the Cotton Trust Protocol, they must meet certain goals and make quantifiable progress to show they are shifting into sustainable cotton harvesting and production.

Executives at Textil del Valle, widely seen as leading Peru's sustainability charge, said production has been streamlined to slash energy usage through solar power and water recycling facilities.

General manager Juan Jose Cordova told journalists that 50 percent of the firm's energy now comes from a solar park while efforts to recycle water through microfiltration and reverse osmosis are helping reduce consumption by 40 percent. The firm is also engaging in nitrogen-based dying activities and has opened a fabric-recycling facility, Cordova noted.
'Technical textiles'

Union officials welcomed Textil del Valle and other firms' efforts to build a more sustainable fashion chain, saying they should help the industry recover some of last year's deep job losses.

"If done right, it could really help us create more jobs," said Vicente Castro, who heads textiles union FTTP and is following companies' efforts to go green.

Castro said there are ventures to produce organic cotton in the country's Amazon region, including "brown-sugar or sugar-cane colored" varieties that make dyeing easier.

"They are in full development processes [for overall eco-friendly cotton] and lab testing fibers," he said, adding that other textiles major Creditex is carrying out such tests at sites in Pisco and Trujillo.

In other innovations, producers are rushing to make new intelligent and functional textiles, importing next-generation machines to make them.

Some of them, such as Tecnologia Textil, are making overalls and other work wear for diverse industries and the military that are both water and heat resistant and adapt to body temperature, he noted.

Castro said unions plan to push Peru's new President Carlos Castillo to launch a program to further technify cotton harvesting and production processes to enable farmers to make a higher profit from its sale, which he said has declined in recent years.

"Harvesting has been rudimentary and unprofitable so many farmers abandoned it and went to work at rice or wheat fields," he added. "This meant a lot of cotton was imported, hurting jobs."

Source: sourcingjournal.com– June 16, 2021

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# USA: Apparel Could Take a Bigger Chunk of $27B July 4 Spending

Apparel retailers, get your stars-and-stripes-themed shirts ready. Demand continues to creep back up ahead of July 4 as shoppers anticipate spending big for the U.S. holiday, which could see some of the first big get-togethers in the 16 months since the coronavirus pandemic first started.

Although a mere 7.5 percent of shoppers on May 10 said they were buying more apparel, footwear and fashion accessories than prior to the Covid-19 pandemic, that number has shifted up in the last month, according to a survey from Coresight Research. As of June 7, 17.6 percent of shoppers now say they are shopping for these categories more often.

The past month has closed the gap between those who said they were buying more apparel versus less. Coresight found that 23.1 percent of 416 respondents surveyed on May 10 said they were buying less clothing and footwear than before the pandemic, but that total dwindled to 17.8 percent of the 409 respondents surveyed on June 7.

While 25.3 percent of shoppers said they had shopped in store for clothing, footwear or fashion accessories in the two weeks prior to May 10, that number has since jumped to 32 percent as of June 7, Coresight said.

The growth percentage in online shoppers hasn't been as drastic, but still jumped from 27.9 percent to 30.1 percent.

This category trended upward through May, in part as a result of older consumers getting back to in-store apparel shopping, the firm said.

Increased desire for apparel has clearly impacted the decision-making process on where to shop. The percentage of shoppers that have bought from Macy's has more than doubled in the five-week span, from 4.1 percent on May 3 to 10 percent on June 7.

Kohl's and TJX's multiple banners also saw a big jump in shoppers, with the department store getting 10.3 percent of consumers instead of the 7.5 percent in the prior period, and the off-price retail company generating 11.5 percent of buyers, a jump from 6.7 percent on May 3.

The top names in retail, including Amazon, Walmart and Target, all saw jumps in overall shoppers who bought non-food products, and predictably brought in the most consumers overall. Amazon saw a 10.9-percentage-point increase in shoppers from May 24 to June 7, Walmart had a 7.3-percentage-point jump and Target's consumers ticked up 7.8 percent.

In total, 61.4 percent of shoppers said they bought non-food products from Amazon, the survey said, while 44 percent bought from Walmart. Target came in third at 29.1 percent of shoppers, despite its buzzy designer dress drop.

Overall, Coresight said the fashion category's growth exceeded the majority of categories within the survey. Food and beverages, toiletries and personal care products, health products, pet products, home improvement and garden products all saw a decrease in shoppers who purchased these products within the month. Cosmetics saw the next biggest increase behind fashion, with totals jumping from 20.8 percent of in-store shoppers to 21.5 percent in the five-week stretch, while online shoppers rose from 16 percent to 17.4 percent. This seems to underscore the narrative around a rise in going-out fashion and related products.

The Coresight Research survey showed that 54.3 percent of respondents plan to spend for Independence Day this year, with millennial and Gen X consumers aged 30 to 44 being most likely to invest in the holiday. A further 19.3 percent expect to celebrate but not spend.

The average predicted planned spend for the holiday is $194—implying that in total, consumers will spend $26.9 billion for July 4 celebrations.

Coresight collected the data for this report based on five prior online surveys of U.S. consumers. These surveys took place on June 7, May 31 (442 respondents), May 24 (409 respondents), May 17 (490 respondents) and May 10.

The report indicates that by the end of June, there may be fewer than 50 percent of consumers avoiding public places for the first time since Coresight started fielding weekly surveys at the onset of the pandemic in 2020. As of June 7, 21.8 percent say they are still avoiding shops in general, while 34 percent are staying away from shopping centers and malls.

“As a result, retail should see very strong sales over the summer,” the report read. “While retailers will have to compete with service and experience providers for the dollars of consumers more so than last year, the benefits of consumers getting out of their homes, traveling and embarking on more social adventures should ensure that spending remains ‘both/and’ rather than ‘either/or’ when it comes to goods and services for the foreseeable future.”

Source: sourcingjournal.com– June 16, 2021

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# H&M Grows Net Sales 75% in Q2

Despite being hampered in major European markets due to continuing store closures, H&M Group saw net sales grow 75 percent in local currencies in its second quarter to 46.5 billion Swedish kronor ($5.59 billion), up from 28.6 billion kronor (then $3.06 billion) in the year-ago period, or 62 percent on a constant-currency basis when accounting for the strengthening of the kronor.

Analysts polled by Refinitiv had on average forecast net sales growth of 66 percent. The full quarterly sales number showed significant strength compared to the start of the period, when sales from March 1-13 increased by 10 percent, and was a major bounce back from first-quarter sales declines of 27 percent.

While the second quarter is still 19 percent below sales numbers in the 2019 period, when H&M took in 57.5 billion kronor ($6.86 billion), the first half of June has shown more promise, likely related to pent-up apparel demand.

Sales from June 1-13 increased by 35 percent in local currencies compared with the same period in 2020, the fast fashion retailer said, and are up 2 percent on a two-year basis.

Their company didn't specifically break out online sales, but said in a statement they have "continued to develop very well, even as the stores have opened."

H&M will report a more detailed version of the results for the first six months of 2021, including second-quarter statistics, on July 1.
At the start of the second quarter, approximately 1,300 of the retailer's 5,000 stores were still temporarily closed due to lockdowns, while open stores have had restrictions on opening hours and number of customers in the store.

In France and Germany, the stores were closed continuously throughout the quarter as a consequence of the extended restrictions. By the end of the quarter, most of H&M's markets still had Covid-19 restrictions in place, resulting in reduced footfall and 140 temporary store closures.

As of June 13, the number of temporarily closed stores rose to 180, largely due to all 50 stores in Malaysia having to close at the beginning of the month.

The provisional report from H&M comes a week after rival Inditex posted a strong first quarter as well. Sales in the period jumped 50 percent to 4.94 billion euros ($6.03 billion) from 3.30 billion euros ($4.03 billion) in the comparable year-ago period. Inditex said digital sales in local currencies rose by 67 percent.

The Zara owner said store and online sales in local currencies from May 1-June 6, when restrictions trimmed business hours by 10 percent, grew 102 percent year over year compared with the same 2020 period, and was up 5 percent versus the comparable 2019 period.

While H&M waits to post its official earnings, the fast-fashion retailer is clearly making inroads in new ways to expand its business.

The retailer recently furthered its investment in Swedish resale platform Sellpy, allowing the online retailer to launch in 20 additional European markets. And its philanthropic arm, the H&M Foundation, created the "Billion Dollar Collection," a virtual fashion collection featuring 10 startups showcasing their innovative designs, from novel biomaterials to traceability technologies. Each offering includes a price tag ranging from $60,000 to $120 million that represents the estimated funding its company believes it requires to scale up the technology.

In May, H&M launched Blank Staples Wholesale, a program that allows shoppers to purchase its premium quality basic range of streetwear in bulk. The program is geared to creatives and entrepreneurs looking for a blank canvas to showcase their personal designs or rep their business ventures.

Source: sourcingjournal.com– June 16, 2021

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# Ethiopia's economic reform drive splutters for foreign investors

When Ethiopia awarded its first private telecom license last week, Prime Minister Abiy Ahmed hailed it as the crowning achievement of his plan to open up Ethiopia's tightly controlled economy of over 109 million people.

But for many foreign investors who feted him getting the top job in 2018, hopes of cracking one of the world's last major untapped markets are waning, stifled by the slow pace of reforms and ossified bureaucracy.

On paper, Abiy can boast of having opened up Ethiopia's health, e-commerce, and transport services sectors through a new investment law. It is a key part of his pitch as Abiy faces his first national parliamentary election on Monday, June 21 – which he has billed as Ethiopia's first free and fair polls.

But foreign companies now operating in Ethiopia are struggling to repatriate profits amid a crippling foreign exchange crunch and inflation that consistently exceeds 20%.

The economy is on track to grow just 2% this year after consistently topping 10% before the pan
demic.

Abiy heads the biggest national party, one of the few that tries to appeal beyond a particular ethnic bloc. He pledged to continue the reform process during the ceremony awarding the telecoms license to the winning consortium.

Mamo Mihretu, Abiy's senior policy adviser, told Reuters the government would not be deterred and investors were still interested in Ethiopia.

"Despite the ongoing pandemic, locust invasion, and other challenges, the government is pushing through the homegrown economic reforms," he said.

Some of Ethiopia's challenges are also homegrown.

A seven-month war in the northern Tigray region has shuttered many firms operating there, although other parts of the country remain unaffected.

Main roads are often closed by the military for weeks at a time and fighting is frequent. Bangladeshi textile firm DBL, which makes clothes for Swedish fashion giant H&M, is shut after the abandoned factory was looted and fearful foreign staff refused to return.

Velocity Apparelz Companies – a supplier to H&M and Children's Place – said its factory was occupied by both Ethiopian and Eritrean government soldiers for months. It was also looted, said a Velocity official, who asked not to be named.

"I don't see a business climate in Tigray at this time," the official said.

The authorities have targeted Ethiopian companies suspected of working with the Tigray People's Liberation Front (TPLF), the region's formerruling party, which is fighting the central government.

Gail Strickler, president of global trade at the advisory firm Brookfield Associates, said some companies had had bank accounts frozen.

"I can't imagine who would want to invest now," Strickler, the former top US trade official on textiles, told Reuters.

Neither Ethiopia's attorney general, who has spearheaded efforts to track down companies the authorities accuse of being linked to the TPLF, northe head of the task force on the Tigray crisis responded to requests for comment.

The Ministry of Foreign Affairs said last week that some factories in Tigray, including unnamed textile and cement factories, had restarted operations and exporting products.

Click here for more details

Source: rappler.com– June 16, 2021

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## UAE's 100% foreign ownership law to boost economic ties with Pakistan

Addressing the audience at the event organized by the Pakistan Business Council titled 'Business Opportunities: Bilateral Trade Between the UAE and Pakistan', Dr. Thani bin Ahmed Al Zeyoudi, UAE Minister of State for Foreign Trade said that both the countries share a strong bilateral relationship built on a long history, trust, and respect.

"Bilateral trade between the two nations showed growth even during the trying times that were witnessed throughout the world," said Zeyoudi. Pakistan is among the top 25 important strategic global trade partners for the UAE, he added. Being Pakistan's largest trading partner in the Middle East, the trade volume between the UAE and Pakistan stood at around $8.19 billion in the year 2019.

Highlighting the significance of Pakistani's import from the UAE, he said that Pakistan' is its second-biggest partner. Both countries also have significant investments in various sectors in each other's economies such as real estate. A 100 percent foreign ownership law was also announced by the UAE, which has kickstarted economic activity and has been welcomed by the business community in Pakistan and around the world, added Zeyoudi.

The UAE is ready to support Pakistan and is hopeful that the bilateral investments would keep increasing with time, he said. Zeyoudi further said that he sees great potential in Pakistan's agriculture sector, especially now that everyone is focused on food security. He also talked about digitalization being the most important topic currently and how UAE is a leader in driving the trend forward.

He also urged all Pakistanis to take advantage of the opportunities in the UAE and GCC so that the economies of both countries could flourish together.

Afzal Mahmood, Ambassador of Pakistan to the UAE who also present at the event announced that Pakistan would be participating at the Expo 2020 Dubai with its pavilion under the theme 'Pakistan: The Hidden Treasure' and encouraged everyone to visit. "You will be able to explore Pakistan's history, culture, agriculture, tourism, and hospitality", he said.

The Pakistan government has worked on several initiatives that will attract the foreign business community to explore several sectors in Pakistan such as tourism, agriculture, fashion, and hospitality, he added.

Chairman of Champion Group, Shabbir Merchant event on Tuesday shows how well UAE has tackled the challenges of the Covid-19 pandemic and ensured the safety of residents after the lockdowns. He also shed light on the steadfastness of both UAE and Pakistan on working towards economic recovery, while building on the strength of their bilateral relations.

“This event is proof of the confidence that both countries have in each other and their economic partnerships,” he said. President of Pakistan Business Council, Ahmed Shaikhani, spoke about how the whole world is gearing up to bounce back economically as pressures revolving around the Covid-19 pandemic ease.

“Food security is a key topic that both nations are working on right now. Pakistan has a wealth of expertise in the agriculture sector which we can share with our UAE partners. Besides agriculture, there are also lots of opportunities in the healthcare sector, petrochemicals, textiles, and sports related activities. Tourism and hospitality are both sectors in Pakistan where we see the UAE playing a key developmental role”, he added.

Last month, Minister of State for Information and Broadcasting Farrukh Habib, and UAE’s Ambassador to Pakistan Hamad Obaid Ibrahim Al-Zaabi had discussed matters of mutual interests, including tourism, trade, media corporation and climate changes. They had also agreed to exploit the massive potential of bilateral trade between the two countries.

Ambassador Alzaabi had lauded the contribution of Pakistani workers in the development of UAE and told the minister of state that participation in his country’s Expo 2020 would provide an excellent opportunity for Pakistani businessmen to develop their businesses and connect with the business community around the world.

The importance of stronger people-to-people contacts, frequent mutual visits by the media delegations, and civil society members between the two countries in order to boost cooperation in diverse areas was also highlighted during the meeting.

Source: globalvillagespace.com– June 15, 2021

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# Iran to hold exhibit for products with participation of 84 companies

According to a director in Trade Promotion Organization of Iran (TPO), a selected exhibition of Iranian products is going to be held in Sulaymaniyah of Iraqi Kurdistan in June 22-26.

"According to the license issued by the TPO in the past [Iranian calendar] year (ended on March 20), the exclusive exhibition of the Iranian products will be held in Sulaymaniyah during June 22-26 by West Azarbaijan's International and Permanent Exhibitions Company," stated Iraj Masoumi, the director-general of planning and trade events office of the TPO.

He added that "This exhibition will be located and held in a space of 6000 square meters and in a useful area of 2600 square meters with the participation of 84 companies from the big companies of our country."

He also declared that the event is an exhibition of participants from a number of fields including construction industry, home appliances, food industry, automobiles and parts, medical equipment, home furniture and decoration, cosmetics, carpets and home textiles, printing and packaging, bags and shoes and clothing, industry, electricity, oil and gas.

Source: menafn.com– June 16, 2021

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## What container? Turkish exporters turn to wooden boxes for shipment

Global logistic issues have prompted Turkish exporters to pack and send their goods in wooden boxes, instead of traditional freight containers due to a global squeeze. Trade's rebound from the coronavirus pandemic is being blunted by the ongoing shortage of shipping containers, as well as limited space in vessels.

The shortage has sent cargo costs to record highs and hampered manufacturers in filling fast-recovering global goods orders. This prompted Turkish exporters to look for various solutions to the skyrocketing cost increases and respond to their orders.

A Turkish marble firm from western Turkey's Denizli province has come up with wooden boxes to solve the disruptions, as it looked for ways to ship its goods to its main market, the United States. Around 11 tons of processed marble, which would normally be sent within 400 containers, have been recently shipped to the U.S. via a bulk freighter in wooden boxes with a pallet-like design.

This marked the first time exports to the U.S. were made within wooden boxes, DN Mermer Chairperson Murat Yener said. The company sells 90% of its marble production to more than 80 countries with three factories, two marble quarries and about 600 employees in Denizli.

"We are proving that Turkish marble is the best brand in the world with our showroom, warehouse and sales network established in the U.S., especially in Miami, and other countries," Yener told Anadolu Agency (AA). "The container crisis and rising shipping costs have made it difficult for us to compete with our competitors abroad," he noted.

"Instead of a container ship, we made a groundbreaking application in the industry and made the shipment by bulk cargo ship." A block of exports was earlier sent to Egypt as bulk, said Denizli Miners and Marble Association (DENMERDER) Chairperson Serdar Sungur.

But he stressed it was the first time processed goods were exported in wooden boxes, saying that they expect the application to become widespread.

Source: dailysabah.com– June 15, 2021

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# Egypt clothing exports hit by surging shipping costs

Egyptian clothing manufacturers are being hammered by surging shipping costs.

Rising container costs are affecting both their imports of raw material as well as their export of finished garments according to Mohamed Kassem, a member of the Egyptian Exporters Association.

Fabrics from China account for most of the country's clothing exports, he told Al Arabiya.

The cost of shipping a 40-feet container from Shanghai to an Egyptian port has rocketed to as much as $14,000 compared to $2,500 before the pandemic, he said.

That has led to increased competitive pressures for Egyptian textiles exporters from rivals in Asia.

He called on the state to intervene to help support the industry.

Source: arabnews.com– June 15, 2021

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## Pakistan: Industrialists unhappy over heavy increase in minimum wage in Sindh

Sindh government's proposal to enhance the minimum monthly wage of a worker to Rs25,000 from Rs17,000 has irked Karachi-based industrialists, who fear that either they would have to close down their business in the city or move their units to Punjab, where the proposed minimum wage is Rs20,000.

Commenting on the proposal, they said that industrialists were not taken on board by the government before making such a decision. Punjab government has proposed Rs20,000 as the minimum monthly wage of a worker whereas Khyber Pakhtunkhwa and Balochistan, who are yet to announce their budgets, are unlikely to go for such a big hike.

Chairman of the Businessmen Group and the Council of All Pakistan Textile Association (CAPTA) Zubair Motiwala argued that when the tariff/rates of petrol, diesel, gas and electricity in the entire country were same, then what was the justification of fixing the minimum wage higher in Sindh than in other provinces.

He pointed out that major export-oriented textile units had 5,000-13,000 employees and one could easily understand how deeply the heavy increase of Rs8,000 in every worker's wage would impact companies' financial health.

"How would exporters in Karachi compete with Bangladesh, India and other regional countries because of the huge disparity in wages between Sindh and other provinces?" he asked, fearing that industries would have to move to Punjab and some other province under such a situation.

According to him, wages in Bangladesh are 20-25 per cent lesser than in Pakistan. The Sindh government should find new avenues to provide relief to workers instead of taking such a "harsh" decision which would only harm local production and exports, he said.

Korangi Association of Trade and Industry (KATI) president Saleem uz Zaman termed the Sindh government decision "the last nail in the coffin of the already struggling industrial sector" and said that the proposed hike in the minimum wage was absolutely unacceptable.

He said that an industry with 1,000 employees would have to afford an extra Rs8 million under the head of salaries as announced by the provincial government.

Korangi with 4,500 units has over 1.5 million workers who are employed under permanent, contractual or daily wage categories.

The Sindh government has tried to gain political mileage as compared to other provinces but this would prove disastrous to the Karachi-based industries. “The minimum wage should be uniform all over the country,” he said, adding that the issue of minimum wage fixed by the provincial government would first go to the Minimum Wage Board, which also has representation of the private sector, for further deliberation before implementation.

SITE Association of Trade and Industry president Abdul Hadi said all town associations would discuss the minimum wage issue with the leadership of the Karachi Chamber of Commerce and Industry (KCCI) tomorrow to jointly decide a future course of action.

He said the Sindh government announced the decision without seeking any input from the stakeholders and without taking the issue to the Minimum Wage Board.

“Without taking ups and downs of ongoing businesses into account, the whopping increase in the minimum wage is not possible,” Hadi said, adding that the SITE area is the hub of 4,000 units where over 500,000 people are employed in different categories.

North Karachi Association of Trade and Industry (NKATI) president Faisal Moiz Khan said that many industrialists might have agreed to the minimum wage of Rs 20,000 from Rs 17,000 keeping in view the post-Covid situation in the country but Rs25,000 proposed by the Sindh government seemed to be a political gimmick to appease its voters. “I condemn the move of the Sindh government which is not at a par with other provinces,” he said, adding that North Karachi with 2,500-3,000 units had over 200,000 employees.

Industries, especially exporters, who are already struggling under high utility costs compared to other countries, would find it hard to survive in a stiff market both domestically and globally, according to him.

Executive director of the Pakistan Institute of Labour Education and Research (Piler) Karamat Ali said the decision to raise minimum wage to Rs25,000 should have come from the Minimum Wage Board after a consensus among employers, employees and the government instead of announcement on the floor of the provincial assembly.

“Increases in the minimum wage has been going for the last few years but no authority checks its effective implementation,” he said and claimed that “80pc of workers are still deprived of the enhanced minimum wage”.

He was of the view that the minimum wage should be fixed at Rs35,000 depending on workers’ family members and rising cost of living. “Due to low income, many people compromise on the cost of living.”

Source: dawn.com– June 16, 2021

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## Bangladesh: BGMEA seeks 10-year extension of EBA scheme under GSP in Swiss market

Bangladesh Garment Manufacturers and Exporters Association (BGMEA) president Faruque Hassan recently requested Switzerland to consider a ten-year extension of the Everything But Arms (EBA) scheme under its generalised system of preferences (GSP) programme for Bangladesh's smoother transition. Hasan met Swiss ambassador to Bangladesh Nathalie Chuard and discussed trade issues.

The discussions covered issues related to the readymade garment (RMG) industry in the country and its progress in the areas of social and environmental sustainability.

BGMEA sought the embassy's support regarding the need for unified code of conduct for social audits and collaboration to promote the untold stories of the RMG industry's transformation, according to a BGMEA press release.

The ambassador expressed her satisfaction about the progress of the industry in the area of sustainable manufacturing and reportedly assured support from her government.

Source: fibre2fashion.com– June 16, 2021

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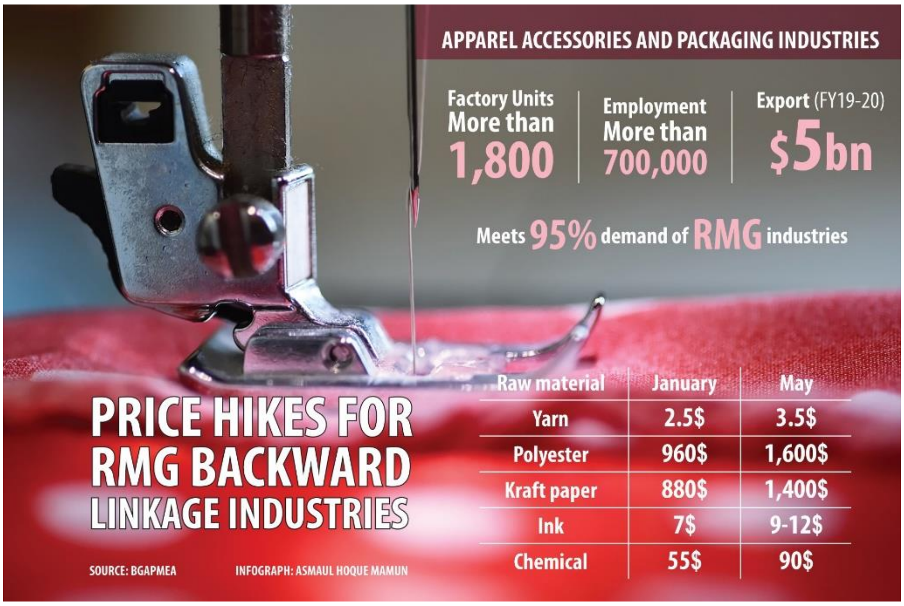
# Bangladesh: Global price hike pummels RMG backward linakge

The country's apparel accessories and packaging manufacturers, crucial backward linkage to the apparel industry, have been hit hard due to the fresh rise of soaring prices of raw materials in the international market.




Industry insiders said that the steep rise in prices of yarn, kraft paper, polyester and other accessories in the global market has threatened the local apparel industry, which had been inching its recovery from the immense difficulties caused by the Covid-19 pandemic.

They also lamented that while the apparel sector was on the rebound thanks to fresh work orders, the accessories and packaging manufacturers never recovered from the losses stemming since the Covid-19 outbreak in January last year.

Industry insiders also said the recent hike of the price of cotton in the international market has also impacted the rise of yarn price in Bangladesh.

Bangladesh is the highest importer of cotton among other countries.

Accessories and packaging industry owners said that they are incurring losses as they have to import raw materials at a higher price, but are deprived of a fair price from domestic clients.

SM Amzad Hossain, managing director of Al Muslim Accessories Ltd, said that a steep increase in the demand for raw materials resulted in the price hike in the international market.

“Rising prices are adversely affecting our sector. We are producing by buying raw materials at higher prices so the cost of production has risen,” he added.

He also said that although the RMG items export has increased, accessories manufacturers have to sell their products in losses as their domestic buyers are not ready to pay higher prices.

According to Bangladesh Garment Accessories and Packaging Manufacturers and Exporters Association (BGAPMEA), prices of raw materials have started rising since January of this year. Over the last five months, the prices of necessary raw materials such as polymer, yarn, kraft paper and chemicals ranging between 40% to 80%.

Amongst them, prices of yarn increased to $3.5 from $2.5 per kg, polymer has shot up to $1,600 from $960 per ton, and kraft paper jumped to $1,400 from $880 per ton, said the BGAPMEA.

Moreover, the prices of ink have also soared to $9-12 from $7 per kg where the price of chemicals have increased to $90 from $55per kg, BGAPMEA said.

Industry insiders also said that as the apparel prices have plunged in the global market, the accessories manufacturers are not getting usual prices for their products.

Md Arif Hossain, owner of Bengal Labels and Accessories Industries, said that the cost of production has increased by 40-50% for importing raw materials at higher prices.

Our domestic client offers 5-10% higher price. But I have no options except taking the orders to keep factory running,” he added.

Abdul Quader Khan, president of BGAPMEA said that the price of raw materials as well as freight costs have shot up which impact our production cost.

“But we are still not able to sell at a higher price because none of the RMG manufacturers we do business with in the local market can raise the price. So, our sector is struggling for survival,” he added.

He demanded that the government offer a 1% cash incentive against exports and reduce corporate tax to 12% for the garment accessories sector in the proposed budget, saying that though the current situation is not related to our national budget.

“If we get this, it will help us to keep our businesses operating smoothly and to pay the utility bills and other production costs,” he added.

Talking to Dhaka Tribune, Syed Nazrul Islam, first vice president of Bangladesh Garment Manufacturers and Exporters Association (BGMEA), said: "We can't buy accessories at high prices because we are getting lower prices for RMG items from our foreign buyers."

"We have to pay workers’ wages through bank loans. Moreover, the increase in the price of accessories, keeping the factory open in line with social distance has increased our production costs by 25-30%,” he added.

He asked how they can pay more for packaging items and accessories while their production cost has increased, and they do not get additional value from buyers.

According to BGAPMEA, currently there are about 1,800 factories producing 40 types of garment accessories and packaging items in the country with employment of nearly 700,000 workers.

This backward linkage industry meets 95% of the demand of the country’s RMG sector, which accounts for 86% of the national export earnings.

Source: dhakatribune.com– June 16, 2021

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## Bangladesh: Cotton waste recycling can save $500m a year: study

Bangladesh can save $500 million a year by recycling the cotton waste as garment factories and textile millers produce a huge volume of leftovers of the key raw material, according to a study.

The findings of the study, carried out by the Circular Fashion Partnership, were revealed at a virtual discussion yesterday. Policy-makers and fashion industry executives were present at the event hosted by the platform, a project that promotes recycled materials in fashion.

If 100 per cent of cotton waste is recycled in Bangladesh, imports could decrease by around 15 per cent, therefore saving half a billion US Dollarthat would have been spent on cotton imports, the report said, according to a press release of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

In 2019, garment and fabrics mills produced about 577,000 tonnes of waste, almost half of which was 100 per cent pure cotton waste.

It is estimated that factories could sell the cotton waste to the recycling market for up to $100 million.

The Circular Fashion Partnership is a cross-sectorial project led by the Global Fashion Agenda, in partnership with Reverse Resources and the BGMEA.

It aims to support the development of the textile recycling industry in Bangladesh by capturing and directing post-production fashion waste back into the production of new fashion products.

Bangladesh heavily relies on imports for textile fibre. It imported 1.63 million tonnes of staple cotton fibre worth about $3.5 billion in 2019.

Speaking at the event, Faruque Hassan, president of the BGMEA, said, "The sustenance of the planet is now at risk, and we cannot stay indifferent. We have to shift the linear economic model to circular."

"This is the future, and we are committed to closing the loop while achieving our strategic growth targets," he said.

Federica Marchionni, chief executive officer of the Global Fashion Agenda, said: "In order for fashion to continue to prosper within planetary boundaries, we need to embrace the opportunities of a circular economy urgently."

A circular economy is a systemic approach to economic development designed to benefit businesses, society, and the environment.

"Using the Reverse Resources technology platform, we have been able to map participants' textile waste to grasp its scale and quantify the economic opportunity of closing the loop," Marchionni said.

Nin Castle, chief project officer of Reverse Resources, said Bangladesh produced arguably the most recyclable textile waste of any apparel producing country.

With the emergence of new and improved versions of existing recycling technologies, Bangladesh has a huge opportunity to scale its local recycling capacity and reduce its dependency on virgin raw materials.

"If a recycling industry is fostered now, it will enable the country not onlyto enjoy the obvious benefits of cost and carbon footprint reduction but also gain a massive competitive edge," Castle said.

Source: thedailystar.net– June 17, 2021

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# NATIONAL NEWS

## Mauritius can be India's gateway to Africa: Mauritian trade minister

Mauritius can be the gateway for Indian businesses to access opportunities in the African continent taking advantage of the new African continental free trade agreement, Alan Ganoo, Minister of Foreign Affairs, Regional Integration and International Trade of Mauritius said on Tuesday.

"There is growing interest among Indian businesses to access opportunities in the African continent. Ours is the first trade agreement signed by India with an African country. Indian manufacturers can move part of their manufacturing processes to Mauritius and produce for the African market. We already have duty free access to 600 million consumers by virtue of our membership in Comesa (Common Market for Eastern and Southern Africa) and SADC (South African Development Community).

The African continental free trade agreement which came into force on the 1 January this year opens up trade and investment opportunities of a much larger market of 1.3 billion consumers.

This is in addition to the duty-free access to the European Union, Chinese and US markets. Any investor located in Mauritius will be able to access these markets on preferential terms," Ganoo said speaking at an event organised by PHD Chamber of Commerce and Industry.

The comprehensive economic cooperation agreement (CECPA) between India and Mauritius came into force on 1 April. The CECPA covers 310 Indian export items, including food and beverages, agricultural products, textiles, base metals, electricals and electronic items, plastics and chemicals and products made of wood.

In turn, Mauritius benefits from preferential market access to India for 615 products such as frozen fish, speciality sugar, biscuits, fresh fruits, juices, mineral water, beer, alcoholic drinks, soaps, bags, medical and surgical equipment, and apparel. The move will remove barriers to imports and exports, and also promote services trade.

Santi Bai Hanoomanjee, High Commissioner of Mauritius to India said the CECPA also provides opportunities to Indian institutions to set up businesses in the education and healthcare sectors in Mauritius and explore the vast African market. “Mauritius can act as the platform for Indian businesses to set up their production units and export their products to African markets," she said.

Hanoomanjee said Mauritius has an attractive taxation policy with a harmonized tax rate of 15% for corporate tax. “There is no capital gain tax and dividends are tax exempt. Import of machinery, equipment and raw materials are exempt of customs duty and foreign investors can retain 100% shareholding. Companies investing in manufacturing of pharmaceutical products, medical devices, high tech products, food processing can benefit from an eight-year tax holiday," she added.

In FY20, India exported goods worth $662 million and imported commodities worth $28 million from Mauritius. “Trade remains below existing potential. They can be substantially increased if the opportunities of the CECPA are fully utilized. CECPA offers win-win opportunities to both Indian exporters and importers. It includes India’s access to Mauritian market by eliminating or reducing tariffs on goods and removing regulatory burden in the service sectors," Ganoo said.

Source: livemint.com– June 16, 2021

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## Commerce department for RoDTEP budget hike to Rs 20,000 crore

The Department of Commerce (DoC) has recommended increasing the budget of the Remission of Duties and Taxes on Export Products (RoDTEP) scheme to Rs 20,000 crore to cover all 11,310 tariff lines and allay any legal concerns that it is a mere replacement of the WTO non-compliant Merchandise Export Incentive Scheme (MEIS).

The Department of Revenue had set the annual financial outlay at Rs 13,000 crore to include 7,910 tariff items, which were covered under MEIS. But DoC suggested that such a move will give an impression that RoDTEP is just a re-instrumentation of the MEIS in a new form.

“This risks RoDTEP scheme being dragged to the World-Trade Organisation (WTO) ab-initio,” the department wrote in its recommendations to the committee of secretaries for RoDTEP, accessed by ET.

Limiting the outgo of the scheme to Rs 13,000 crore would have required either imposition of cap per exporter per annum, as was done under MEIS last year, or exclusion of certain sectors or scaling down the remission rates.

A cabinet note is likely to be floated this week and the final announcement may be made in 15 days, people close to the matter told ET.

DoC has suggested increasing the financial outlay by Rs 7000 crore will provide benefits to all the 11,310 harmonized system (HS) code lines including companies approved under the Production-Linked Incentive (PLI) scheme, advance authorization beneficiaries, special economic zones and export-oriented units without putting a large fiscal pressure on the government. HS is a code assigned for every single item which is traded, from components to finished goods.

This would fully delink RoDTEP with MEIS and allay any legal and technical concerns that trading partners may have and best serve the interests of small exporters in a fair and non-discriminatory manner, the recommendations said. This would also support the exporters to overcome the challenges of post-Covid recessionary world.

RoDTEP, effective from January 1, 2021, is a tax refund scheme which remits the taxes and levies borne by exporters as percentage of value of goods exported. The simple principle is 'taxes and duties should not be exported'.

It was formed after the WTO ruled against India that the MEIS is incompatible with world trade norms and must be pulled out.

According to industry sources, mobile phone exporters are likely to be assigned a remission rate between 0.5% and 0.8%, which is sharply less than the 4% which MEIS used to offer. This will impact the cash flows of PLI-approved companies like Apple phone makers Foxconn and Wistron besides Samsung, which have huge export targets, said experts.

Overall, given that the budget of RoDTEP at Rs 13,000 crore is modest compared to Rs 50,000 crore of MEIS, all export sectors are likely to get very low compensation rates, they added.

Source: economictimes.com– June 16, 2021

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# Export growth in second week of June slows down to 39.78%

*Imports post higher growth of 113.98%*

India's goods exports continued on the growth path in the second week of June 2021, increasing 39.78 per cent (year-on-year) to $6.35 billion but slowed down in comparison to the first week of the month, according to weekly trade trends calculated by the Commerce & Industry Ministry.

Imports registered a steeper growth of 113.98 per cent to $10.48 billion in June 8to 14, 2021 over the same period of 2020-21, which was higher than its performance in the first week of the month.

Exports in the second week of June 2021 were 16.64 per cent higher than exports in the same period of 2019-20 (valued at $5.44 billion) and was unaffected by the Covid-19 pandemic, indicating that the weekly growth in the current fiscal was not just because of a low base effect.

The Commerce Ministry will share the disaggregated data with product details when it puts together trade data for the entire month.

According to exporters body FIEO, exports are showing a rising trend this fiscal due to an improvement in the orders book as well as a gradual opening of the global market that is emerging from the negative effects of the pandemic.

In the first week of June (1 to 7) 2021, exports were valued at $7.71 billion, posting a growth of 52.39 per cent. Overall exports in the first half of June 2021 (1 to 14) have grown by 46.43 per cent with shipments valued at $14.06 billion, according to preliminary calculations. This was lower than the export growth of 69.35 per cent recorded in May 2021 valued at $32.27 billion.

Imports in the first seven days of June 2021 increased by 98.33 per cent to $19.59 billion compared to the first seven days of June 2020. In May 2021, imports had risen by 73.64 per cent to $38.55 billion.

Exports, excluding POL, also increased in the second week of June 2021 by 37.99 per cent over the same period of 2020-21 and up by 20.43 per cent over the comparable period of 2019-20.

Imports excluding petroleum increased in this period (June 8 to 14, 2021) by 73.01 per cent over the same period of last year and down by 8.98 per cent over the comparable period of 2019-20.

Source: thehindubusinessline.com– June 16, 2021

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# Bangladesh is now among India's top 5 export destinations

Bangladesh has surpassed Hong Kong to become India's fourth biggest export destination in the first three months of the current calendaryear, and climbed four notches to fare in the country's top five export destinations in 2020-21 because of New Delhi's diplomatic efforts, logistical ease and a robust demand for Indian farm produce.

India's exports to Bangladesh rose 46% on an annualised basis at $3.16 billion in January-March, securing it the fourth position after the US ($15.41 billion), China ($5.92 billion) and UAE ($5.34 billion), according to the latest data from the commerce ministry. Indian merchandise exports to Bangladesh, which saw a 35.14% year-on-year growth to $0.95 billion in January and 17%to $0.94 billion in February , witnessed a 93.45% annualised jump in March to $1.26 billion.

India, which follows the April-March financial year, saw Bangladesh at the fifth position in its list of top export destinations for FY-21, a jump from the ninth rank in 2019-20, with an annualised growth of 10.83% to $9.09 billion. The top four export destinations in 2020-21 are the US ($51.63 billion), China ($21.2 billion), UAE ($16.68 billion) and Hong Kong ($10.15 billion).

Federation of Indian Export Organisations (FIEO) director general & CEO Ajay Sahai said one of the reasons for increased export to Bangladesh is relatively fewer disruptions in movement of goods to the country compared to other export destinations in the US and Europe due to Covid restrictions. "A combination of three factors helped in rising exports to Bangladesh – diplomatic efforts, logistics in terms of rail and waterways, and demand for agricultural items," he said.

Bangladesh is one of the largest markets for India's agriculture products. India's agri exports to Bangladesh recorded the second highest growth of 95.93% in 2020-21 after Indonesia (102.42%), a government official said on condition of anonymity.

Major contributors to the increase in exports in 2020-21 are petroleum products and agricultural commodities such as rice (other than basmati), said India Exim Bank's chief general manager - research & analysis, David Sinate. Exports also jumped due to a sharp reduction in import duty on rice (from 62.5% to 25%) by Bangladesh. The movement of goods by rail instead of road has also facilitated trade with reduced transportation costs, he added.

People familiar with developments said trade with Bangladesh was helped by India's focus on keeping key rail and river routes open amid disruptions in the neighbourhood caused by the pandemic. Land customs stations and other border facilities too have been upgraded and there is greater coordination between the two sides. "There has been a conscious effort to ensure the bilateral relationship has a solid underpinning from trade and economic ties. There has been greater focus on connectivity and easing of trade procedures at the border because of the confidence in the relationship over the past decade," said one of the people cited above.

"At the same time, there has been a realisation on the Bangladeshi side that certain goods can be acquired more cheaply from India and with the same quality," the person said, adding Dhaka had also benefited from concessions under the South Asian Free Trade Area (SAFTA).

According to Sahai, consumption of food items has gone up globally in recent years. "Bangladesh is importing agricultural produce from India in large quantities because of better quality, reasonable rates and logistical advantages," he added.

"The prime reason for the surge in the exports to Bangladesh is huge surge in cereal exports," Mohit Singla, founder chairman, the Trade Promotion Council of India (TPCI) said, adding that freight cost is often a deciding factor for global imports. According to the Food and Agriculture Organization (FAO), food import costs across the world will surge to record levels this year, he said. The world's food import bill, including shipping costs, is projected to reach $1.715-trillion this year, he added.

"Bangladesh is India's most important trade partner in the South Asian region, and the governments of the two countries are taking diplomatic efforts to enhance trade and commerce for mutual benefits. This reflects in PM Modi's first foreign visit to the country after the first wave of Covid-19 pandemic on March 26-27, 2021," said another government official said who asked not to be named.

Source: hindustantimes.com– June 17, 2021

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## Daily average E-Way bill generation exceeds 16 lakh in June

*Supply-chains reviving on gradual unlock by States*

The daily e-way bill generation crossed 16 lakh in June. This is better than not just the May number, but also June last year. This shows that the gradual unlocking in various States has benefited trade and business.

Data as of the week ending June 13 showed an average daily E-Way bill generation of 16.12 lakh compared to around 12.15 lakh during the week ended May 16.

For May, the average daily generation was around 12.74 lakh. This number was around 14.47 lakh in June 2020. The average number here includes both inter- and intra-State E-Way bills generated, on a weekly basis.

An e-way bill is required to be generated by a registered GST taxpayer to move goods between States of value more than ₹50,000. For intra-State movement, the limit varies between States.

Though India did not impose nationwide lockdown to curb the Covid-19 second wave, many States and Union Territories opted for localised lockdown mainly in April and May. Also, manufacturing activity was on, albeit in a limited capacity.

But as the demand was low and normal commercial activity had come to a halt in cities and towns, supply-chains were affected, impactingE-Way bill generation till May third week.

### GST revenue

Now, as States are unlocking in phases, business and trade are picking up as indicated by the E-Way bill generation also. Saket Patawari, Executive Director (Indirect Tax) with Nexdigm, says the rise in E-Way bill generation is primarily due to the easing of lockdown restrictions across States and gradual resumption of commercial activities with the decline in Covid-19 cases.

"It is expected that the businesses will regain momentum over the next 3-4 months, especially considering the compliance relaxations announced recently by the GST Council, the expected good monsoon, as well as the upcoming festival season. This, in turn, could translate into higher GST revenue collections, which had seen a dip in May," he said.

GST collection in May dipped to around ₹1.03 lakh crore as against record ₹1.41 lakh crore in April.

The mop up in June for business activities of May likely to be subdued. However, the collection in July for activities in June is expected to be buoyant.

The Budget Eestimates for 2021-22 has assumed that the GST revenues will grow at 17 per cent over the previous year's low base. This translates into average monthly gross GST revenues of ₹1.1-lakh crore. The actual mop up will depend upon various factors including the trends in E-Way bill generation and compliance.

Source: thehindubusinessline.com– June 16, 2021

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# Will exports provide some relief to India's economic growth?

In absolute terms, the total exports in May 2021 were the third highest ever, with only March 2021 and March 2019 reporting better figures of $34.45 billion and $32.71 billion, respectively.

India's goods exports in May 2021 stood at $32.27 billion, up 69.3% with respect to May 2020. Of course, given that the country spent much of May 2020 under a lockdown, this is not a fair comparison. Nevertheless, exports were up 8.1% in comparison to May 2019, when they had stood at $29.85 billion. And that's some good news on a weak economic front.

The question is: Will this growth in exports sustain itself during the course of 2021-22. And will that help in providing some relief to weak economic growth? In absolute terms, the total exports in May 2021 were the third highest ever, with only March 2021 and March 2019 reporting better figures of $34.45 billion and $32.71 billion, respectively.

Of course, this statement doesn't take the size of the Indian economy into account. In March 2013 and March 2011, total exports had stood at $30.54 billion and $30.42 billion, respectively. This was when the size of the Indian economy was much smaller, hence, in proportion, the exports were significantly more than they are now. In fact, if we look at annual goods exports, they peaked in 2013-14 at 16.96% of the GDP. They fell to 10.91% of the GDP and 10.90% of the GDP in 2019-20 and 2020-21, respectively. Keeping these factors in mind, let's look at whether strong goods exports will provide some fillip to economic growth this year.

1) The goods exports for the last three months have been more than $30 billion. They were at $34.45 billion and $30.63 billion, in March and April, respectively. This has never happened before, when monthly goods exports have clocked more than $30 billion, for three consecutive months.

2) The goods exports numbers also include petroleum exports. India has refineries which import crude oil, refine and then export it. With oil prices in May 2021 being considerably higher than May 2020, this dynamic has added to the overall exports number. How are things when we look at only non-oil exports? Take a look at the following chart, which plots monthly non-oil exports from April 2010 onwards, or for a little over the last 11 years.

The chart makes for very interesting reading. Every month from January to May, non-oil exports have been higher than $25 billion. This is something that has never happened before, where goods exports were more than $25 billion for five consecutive months. Even in December 2020, they were at $24.88 billion.

Clearly, a revival in the global economy, as more people get vaccinated and economic activity picks up, seems to be helping goods exports. Data from the Financial Times vaccine tracker tells us that India's major export destinations like the US, the UK and the European Union have managed to vaccinate 44.2%, 45.2% and 24.3% of their respective populations.

3) Take the case of engineering goods, which are India's number one goods export to the world and made up for close to one-fourth of the goods exports during the last financial year. They have been doing very well. In April and May, the total exports of engineering goods stood at $16.61 billion, which was 23.9% more than the exports during April-May 2019. Clearly, global growth has helped on this front.

The other thing that seems to have helped push up exports numbers is the global rise in commodity prices. The total exports of ores and minerals from January to March 2021 (the numbers for April and May are not available) stood at $2.22 billion, more than double than that during January to March 2019. Agriculture exports between January and March this year stood at $12.72 billion, which was around 21.1% more than during the same period in 2019.

4) Will the growth in goods exports sustain through this year? Inflation can play spoilsport. Inflation as measured by the consumer price index (CPI) in the US in May 2021 stood at 5%. This is the highest it has ever been since August 2008. Inflation as measured by the wholesale price index in China stood at 9% in May 2021, the highest in over 12 years.

This is happening because as people get vaccinated and step out of their homes, economic activity has picked up, with demand outstripping supply of goods and services and driving up prices. The pent-up demand of the last 18 months is kicking in. What has not helped is the fact that the income support provided to citizens by the western governments in the aftermath of the covid pandemic, has led to many people not looking for work. This has pushed up wage inflation. Of course, the same economic activity that is causing inflation has also managed to create some economic growth in the process.

The question is whether central banks around the world will choose to rein in inflation and increase interest rates, or will they let inflation flare up and keep interest rates low, as they currently are. This is a tricky question, with equally convincing arguments on both sides.

If central banks continue to keep interest rates low, they will continue to fuel stock market and other bubbles all over the world. These bubbles as and when they blow up, will cause their own share of problems. If the central banks raise rates, then they can cut short the economic growth that the world is currently seeing. Of course, this will also help deflate the bubbles.

India's goods exports growth depends on this dynamic. The question is which way central banks will go. On that, your guess is as good as mine. But until we have a clear answer on this question, India's goods exports will continue to shine. And that's some good news in the midst of all the gloom and doom on the economic front.

Source: livemint.com– June 16, 2021

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# Garment production cost shoots up by 30% as inputs turn pricey

Garment exporters in Tirupur said the production cost of garments had gone up by 30% since December 2019, because of the skyrocketing prices of raw materials, mainly that of yarn. Raja M Shanmugam, president, Tirupur Exporters' Association, said the yarn price had shot up by more than 40% in the past six months. "We expected it to drop during the lockdown, but in vain. The price is still going upwards."

Pointing out that they had incurred losses because of the lockdown, he said they were forced to send the goods through air cargo rather than shipping them, as they were in a hurry to deliver the products to the buyers in scheduled time. "The change in mode of transportation alone has cost us dear. Given that our profit margin is as meagre as 5% to 7% of the export value, the loss is going to be huge."

Explaining that most of the industries were in the process of minimizing their losses, Kumar Duraisamy, an exporter, said they were now working with just 25% of the workforce and producing lesser percentage of goods. "But the basic expenses like the building rent and electricity charges remain the same. If we were producing about 2,000 pieces of garment with a basic expense of Rs 1 lakh earlier, now we are producing only 400 pieces while spending the same amount."

He said the lockdown was very different this time. "Last year, we were at the end of a season and most of the orders were dispatched. Importantly, the lockdown was imposed across the world. But now, we are in the middle of a season and orders are pending. And the lockdown is enforced only in India. We cannot compare both the lockdowns at all."

The garment sector has two main seasons - summer season (September to March) and winter between (April to August).

G R Senthilvel, secretary, Tirupur Exporters and Manufacturers' Association, said the impact of the lockdown would be felt only after the industries start to function in a full-fledged manner. "The lockdown relaxation has instilled a sense of confidence among our buyers, who are happy to see us resuming work. This will help us retain our buyers."

Source: timesofindia.com– June 17, 2021

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## AEPC seeks State policy for exports

The Apparel Export Promotion Council (AEPC) has appealed to the State government to formulate a policy exclusively to promote exports.

A. Sakthivel, chairman of the Council, met the Industry Minister Thangam Thennarasu and sought an export policy for the State.

Mr. Sakthivel also urged the government to establish parks in the southern districts of the State for different segments of textiles and clothing, such as man-made fibre apparel manufacturing, sewing, heavy textile machinery, textile accessories, etc. He said these parks can come up under the Central Government's scheme of Mega Investment Textiles Park (MITRA).

Further, the existing parks and upcoming park projects should have housing and hostel facility for men and women workers, he added.

The Minister had assured that he would consider the suggestions positively and the government would extend its support for the growth of industries and exports in the State, said a press release from the Council.

Source: thehindu.com– June 16, 2021

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# Import duty on cotton affecting global competitiveness of Indian firms: SIMA

The Southern India Mills Association (SIMA) has urged the Centre to withdraw the cotton import duty, saying it is severely affecting the global competitiveness of the Indian textile and clothing industry.SIMA chairman Aswin Chandran said the announcement on levying 5 per cent BCD (Basic Cotton Duty) and 5 per cent AIDC (Agriculture Infrastructure and Development Cess) with applicable cess on the import of cotton in the Budget 2021-22 came as a major blow to the Indian cotton textiles industry.

Chandran sought withdrawal of both the BCD and AIDC to create a level playing field on the raw material front for the industry. Similar import duty policy intervention of 10 per cent customs duty, 4 per cent additional customs duty and 3 per cent education cess had a severe impact on the spinning industry, and after understanding its ill-effects, it was withdrawn, he pointed out.

The association said import duty on raw cotton would erode the competitiveness of value-added segments that have a business size of about Rs 50,000 crore in exports and Rs 25,000 crore in the domestic market. These segments provide jobs to about 12 lakh people.

“It has taken over a decade for the textile industry to build up the market share in these segments, and with the import duty, we will lose our competitiveness and market share to competing countries,” said

Chandran. He further stated the government might receive about Rs 360 crore per annum as additional revenue on account of the import duty, but will in turn imperil annual GST revenues of around Rs 1,800 crore. More importantly, the import duty will not benefit Indian cotton farmers owing to negligible volume of imports.

Source: newindianexpress.com– June 15, 2021

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