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INTERNATIONAL NEWS

Reports of forced labor are driving brands to abandon Chinese cotton

Early last year, amid mounting reports of forced labor and human rights abuses in China's Xinjiang Uyghur Autonomous Region (XUAR), U.S. outdoor apparel maker Patagonia resolved to stop sourcing cotton from China. From April 2020 on, the brand's global suppliers had to vet and eliminate any links to the world's largest cotton producer. The decision wasn't easy. China accounts for roughly 20% of global cotton supply, and Xinjiang produces some of the highest-grade cotton in the world.

"We had to walk away from business partners, we had to redesign styles to fit the substitute cotton, and we had to do away with styles that we could no longer make because the quality of cotton was no longer available," says Wendy Savage, director of social responsibility and traceability at Patagonia, which declined to say what products it had discontinued.

Patagonia isn't alone.

U.S. retailer L.L.Bean pledged to eliminate Chinese cotton from its supply chain by the end of this year, citing "extremely troubling" reports about Xinjiang.

Victoria's Secret parent company L Brands has committed to eliminating Chinese cotton from its supply chains, too. L Brands told Fortune it used tools provided by supply chain analytics firm Sourcemap to map most of its apparel supply chain in 2019 and cross-referenced its suppliers against a list of companies prohibited by U.S. sanctions related to Xinjiang.

"In 2020, we started conducting chain of custody audits on cotton products to ensure cotton fiber does not come from China and will continue to conduct these audits to ensure cotton fiber is from an approved country," an L Brands representative said.

California-based women's-wear maker Reformation—which launched in Los Angeles in 2010 and bills itself as a sustainable fashion brand—is another retailer that's stopped using cotton from China because it couldn't guarantee cotton sourced elsewhere in China hadn't been mixed with stock grown in Xinjiang. The XUAR produces over 85% of China's cotton crop.

"Unfortunately, it's not even as simple as just saying that you're not going to source within the XUAR. The opaque nature of supply chains in the region means it really has to be the entire country," says Kathleen Talbot, Reformation's chief sustainability officer and vice president of operations.

U.S. fashion brands and retailers are facing an unprecedented supply chain crisis over Xinjiang, but few are willing to talk about it for fear of disrupting their operations in China. Beijing fervently denies allegations of human rights abuses in Xinjiang and tacitly threatens companies that speak against it. Fortune asked more than two dozen apparel companies how they've responded to reports of human rights abuses in Xinjiang. Only Patagonia and Reformation—which earn little to no revenue in China—made representatives available for interviews. But regulatory action has forced all apparel companies that do business in the U.S. to address the possibility that their cotton supply is corrupted by forced labor, whether they speak publicly about it or not.

In January, U.S. Customs and Border Protection implemented a seizure order on all goods containing cotton sourced from the XUAR, citing "the Chinese government's exploitation of modern slavery." The Worker Rights Consortium, an independent labor rights organization, estimates the seizure order will disqualify $20 billion of apparel sales in the U.S. per year—about 5% of the total $368 billion U.S. clothing and footwear market.

To release a seized shipment, importers must prove the goods are free of Xinjiang-sourced cotton. But that seemingly straightforward requirement has exposed a hidden truth about the fashion industry: Few brands know for sure where their cotton comes from.

'A wild goose chase'

According to the UN Economic Commission for Europe, only 34% of fashion brands implement tracking and tracing in their supply chains, which means they can follow raw materials as they go from farm to shop floor or retroactively determine where exactly a product came from. Most retailers only strike partnerships with so-called Tier 1 suppliers—factories that sew finished products—and leave the business of sourcing materials to those suppliers. The materials are delivered along a winding value chain of merchants, known as Tier 2, Tier 3, and Tier 4 suppliers, with Tier 4 representing the farm level.

Adopting a deliberately myopic view of the supply chain cuts costs for a brand, but it also limits its ability to respond to crises—such as a sudden order to exclude cotton from a region in China.

Of the 16 brands that responded to Fortune's request for comment, most provided links to public statements in which they expressed concern over reports of abuses in Xinjiang and pledged to conduct reviews of their supply chain, in some cases revealing what little oversight they had before.

Patagonia and Reformation—brands built on the ideal of responsible sourcing—maintain more comprehensive supply chain oversight than the majority of fashion retailers, which helped them respond to and investigate the issues in Xinjiang. But such diligence is demanding, requiring audits, interviews with factory workers, reams of documentation, and careful nurturing of relationships.

"It can sometimes feel like a wild goose chase, because when we make a demand of our suppliers, they have to then enforce it among their suppliers," Talbot says. In the garment industry, a single company might have thousands of sub-suppliers and contractors spread across its supply chain. Talbot says it's taken Reformation "a few years to feel like we have the systems and tools in place to trace effectively."

Some of those tools are fairly high-tech. In March, Reformation launched a line of jeans spun from a cotton featuring a pigment that only shows up under UV light. The dye is introduced at the cotton gin—where fibers are separated from seeds—and is tracked all the way to the store floor. The owner of the cotton gin sources cotton from its own cotton farm, so Reformation feels confident saying this technology tracks cotton all the way to the farm level, and proves the finished product was sourced from an approved supplier.

"Having that level of visibility and partnership at the farm level is really challenging for brands to develop," says Talbot. Even with deep insight into their supply chains, Patagonia and Reformation found too many unanswered questions to comfortably continue sourcing cotton from China and pulled out.

"Between the scale of the issue and the lack of access to information we can rely on, there's no way for us to control what's happening in China," says Patagonia's Savage. "This situation is unprecedented."

Retailers ordinarily rely on third-party audits and documented receipts to verify the origin of raw material supplies. But the auditing system has flaws. Amelia Pang, author of Made in China: A Prisoner, an SOS Letter, and the Hidden Cost of America's Cheap Goods, says even trusted factories may cover up where they source their cotton from by blending crops from different fields together and then forging documents to pass audits.

In Xinjiang, government surveillance has made it impossible for auditors to conduct candid, off-site interviews with workers, which are key to determining whether labor is voluntary. In July 2020, a U.S. government report said auditors had reportedly been "detained, harassed, threatened, or stopped at the airport" by Xinjiang authorities. The local populace, meanwhile, is under surveillance from facial-recognition cameras and phone-tracking apps, which police reportedly force Uyghurs to install. According to the Wall Street Journal, the government's policies in Xinjiang compelled at least five auditing firms to stop working in Xinjiang entirely by September 2020.

Patagonia and Reformation had the tools to assess the risk Xinjiang posed to their supply chains and still cut the country's cotton from their goods. Most other brands don't have the capacity to judge how vulnerable their supply chains are to the alleged abuses in Xinjiang; if they directed manufacturers to eliminate Xinjiang cotton from their products, they would be hard-pressed to prove whether manufacturers followed through or not.

'Xinjiang cotton' as a selling point

Yet not every brand is leaving China, or even Xinjiang. Japanese fashion giants Muji and Uniqlo continue to use "Xinjiang cotton" as a tagline in advertisements, playing up the "superb quality" of the region's bounty. Both companies believe their auditing work is sufficient to weed out forced labor. Muji's parent company, Ryohin Keikaku, told Fortune it had conducted "enhanced" audits of its supply chains in Xinjiang and found "no significant issue…except for those issues that can be corrected by farms or ginning factories [themselves]." The company also said it no longer ships products made with Xinjiang cotton to the U.S., owing to the seizure order—suggesting Muji is confident it can separate Xinjiang cotton from its other supply sources.

Tadashi Yanai, the CEO of Uniqlo parent Fast Retailing, said in an earnings call in early April that the company would "keep an eye" on its cotton supply chain and halt business with suppliers if it finds evidence of forced labor.

However, U.S. customs agents seized a Uniqlo shipment in January over concerns the garments had been produced by forced labor in Xinjiang. According to the New York Times, customs agents said documentation provided by Uniqlo contained "numerous deficiencies" including "unsigned, undated, and generally illegible China customs declarations."

Uniqlo did not respond to Fortune's request for comment. In a statement online, the company said it had submitted "appropriate documentation" to Customs and Border Protection but admitted "the CBP did not give clearance" to a shipment of cotton shirts.

Muji and Uniqlo, which bring in a hefty portion of sales from their home market, are under less economic pressure to eliminate Xinjiang cotton than U.S. brands. Japan accounted for 61% of Muji's revenue in 2020, while Europe and North America contributed 6.5%, combined. Sales at Uniqlo parent Fast Retailing skew similarly: Japan made up 40.9% of revenues in the first half of fiscal 2021, while North America and Europe combined contributed only 8.4%.

The Japanese government has not placed import restrictions on materials sourced from Xinjiang, so there's little legal pressure for Japanese brands to switch sources, and both Muji and Uniqlo have a compelling financial incentive to continue sourcing from the region: access to the Chinese market.

'Rightfully concerned' about boycott risks

Beijing dismisses the accusation that the government is persecuting ethnic minorities in the XUAR as a political smear campaign orchestrated by "the West." The government has leveraged China's massive consumer spending power against brands that, in Beijing's view, show too much support for the Western narrative. In March, China's tech titans launched a sudden boycott against Swedish fashion giant H&M after the Communist Youth League—an affiliate of the China Communist Party (CCP)—shared screenshots of an old H&M statement expressing "concern" over reports of abuses in Xinjiang.

"Spreading rumors to boycott Xinjiang cotton while trying to make money in China? Wishful thinking!" the Communist Youth League posted on China's Twitter-like Weibo, alongside photos of H&M's statement. China is H&M's fourth-largest market, accounting for roughly 5% of the brand's total $22 billion in sales in 2020.

As the Youth League's post went viral—liked over 400,000 times—e-commerce leaders Alibaba and JD.com removed H&M's virtual storefronts from their websites; domestic mapping leader Baidu Maps removed the more than 500 H&M China store locations from its online maps; and Uber-like Didi Chuxing blocked customers from setting H&M stores as pick-up or drop-off locations.

Gilligan, chairman of business lobby group the American Chamber of Commerce in China, said on a call with journalists in May that "companies are rightfully concerned" about the risk of boycotts in China.

The risk of Chinese boycotts is higher for Muji and Uniqlo than it is for most U.S. retailers. Muji's East Asia unit—which covers South Korea, Taiwan, Hong Kong, and mainland China—generated 28.4% of company revenue last year. Revenue at Fast Retailing's "Greater China" segment was 25.8% of its total for the first half of fiscal 2021.

Meanwhile, the companies that have spoken out about their response to alleged abuses in Xinjiang are notably less exposed to the Chinese market. Patagonia says China accounts for roughly 1% of its global sales revenue, while L Brands earned roughly 5% of sales in the Greater China region, which includes Taiwan, Hong Kong, Macau, and mainland China, according to the company's latest annual report. Reformation declined to say how much it earned from sales in China, but noted it has no physical stores in the country. L.L.Bean, a privately held company, doesn't report sales by region.

Looking for guidance—and not getting it

Silence on the Xinjiang matter has become an untenable option for most brands, as human rights organizations and governments—primarily led by the U.S.—continue to scrutinize Beijing's treatment of Uyghurs in the region. In January, the day before leaving office, then–Secretary of State Mike Pompeo labeled Beijing's persecution of ethnic minorities in Xinjiang "genocide," referencing reports that Chinese authorities have forcibly sterilized Uyghur women—an allegation Beijing denies.

Although other governments have condemned China for committing human rights abuses in Xinjiang, none have joined the U.S. in labeling Beijing's crimes in Xinjiang as genocide. But Pompeo's successor, Antony Blinken, has maintained the designation. In March, the EU and Canada also joined the U.S. in applying sanctions against several Xinjiang officials and

companies accused of perpetrating human rights abuses, including the XPCC, a paramilitary conglomerate that produces 40% of Xinjiang's cotton output.

The sanctions have increased the risk for retailers that fail to keep a comprehensive view of their supply chains. Some U.S. companies reportedly lobbied against a bill, the Uyghur Forced Labor Prevention Act, which passed the House with bipartisan support last year and would presume products made "in whole or in part" in Xinjiang are guilty of exploiting forced labor. Lobby groups reportedly wanted Congress to ease the burden of proof and clearly define what constitutes sufficient auditing.

"When these issues come up…we then look to government to give us very specific expectations in the form of regulations or laws that say what behavior is acceptable and encouraged and what behavior is not," Gilligan said when asked how AmCham China members were responding to the situation in Xinjiang.

In July, Hong Kong–based Esquel Group—one of the world's largest shirt producers and a textbook example of a Tier 1 manufacturer—sued the U.S. government for essentially upholding a presumption of guilt, rather than a presumption of innocence, when it imposed sanctions on the shirtmaker in November last year.

The Trump administration included Esquel's Xinjiang subsidiary on a blacklist of companies that the government says exploit Uyghur forced labor. In its lawsuit, Esquel argues that the U.S. has provided zero evidence to show Esquel employs forced labor and notes that third-party audits have found "no evidence of forced labor or coercion."

The Senate did not vote on the Uyghur Forced Labor Prevention Act, which would presume companies operating in Xinjiang are guilty of exploiting forced labor, before adjourning last year; nor did it take up a similar bill introduced to the Senate around the same time.

Sen. Marco Rubio (R-Fla.) introduced an amended version of the Senate bill in January this year, which passed with a unanimous vote of approval on July 14. The bill includes a new clause, absent from the 2020 version, requiring the government to provide "guidance" to importers on "the type, nature, and extent of evidence that demonstrates" goods weren't made with forced labor.

But the outcry over human rights issues in Xinjiang has already spurred some brands to enhance their supply chain management, regardless of what the Senate guidance might be. For many retailers, the risk of not knowing where their cotton comes from has grown greater than the cost of finding out.

Source: fortune.com– July 18, 2021

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China's economy likely to power ahead at more than 8% in 2021, beyond

China's economy grew 7.9 percent from April to June, the National Bureau of Statistics (NBS) announced on Thursday. The growth rate, lower than forecasted 8.1 percent by most market analysts, immediately draw major Western news media outlets to pour cold water on the world's second largest economy, with some portending it will deteriorate further in the coming months and unable to compete with the US economy.

But it will prove those media pundits wrong when the year-end results come out. Past experiences tell the world that the Chinese government owns unparalleled acumen and coveted ability in managing its economy. This explains why China stood firm and prevailed during the 2008-09 global financial debacle and the 2020 novel coronavirus health crisis, while many other countries, including the US, suffered grave recessions, human loss and social upheavals.

There are plenty of policy tools available to Chinese decision-makers to steer the economy to run at a higher gear. The People's Bank of China's 50-basis-point cut to the reserve requirement ratio, or the amount of funds commercial lenders must hold in reserve, released 1 trillion-yuan ($154 billion) worth of liquidity into the economy last week to support the third-quarter GDP grow at a considerably higher rate.

Unlike the Trump and Biden administrations which resorted to several rounds of pandemic- rescue stimulus plans, spending more than $5 trillion borrowed money to keep the US economy retain its "sugar high", Beijing has been cautious to avoid "flooding" its economy with excessive liquidity -that partially explains why the yuan has steadily appreciated in value against the US dollar since March 2020 by more than 10 percent till today.

As a matter of fact, to manage financial risks from negatively impacting the economy, China has been deleveraging and all of the so-called "too-big-to-fail" state-owned banking giants are now on a stronger and healthier footing. Local government debt has also been brought under tighter control. In the first five months of this year, special purpose bond issuance totaled only 1.2 trillion yuan, compared with 2.3 trillion issued over the same period last year.

Therefore, Chinese policymakers have room to maneuver when it comes to creating a stronger and healthier economy. They could reduce the reserve ratio again in the second half of the year, or move to cut the benchmark interest rate to make sure the economy expands at 8.5 percent in 2021 and 7 percent in 2022, when the ruling Communist Party of China (CPC) is expected to hold its 20th national congress, another event of global importance.

Chinese economists are aware that the economy is highly resilient after overcoming the coronavirus pandemic fallout. Increasingly, the giant economy is being boosted by rising domestic consumption, roaring external demand for Chinese goods, and the government's laser-like focus on infrastructure investment, new and high technology investment, and non-stop improvement of 1.4 billion people's welfare.

The "dual-circulation" development strategy proposed by China's top leadership last year - primarily relying on enlarging Chinese home consumption power and actively accelerating the economy's "electromagnetic effect" through enlarging foreign trade and investment - ought to be enforced vigorously, such as the iconic Belt and Road Initiative helping other friendly countries to develop faster, while boosting those countries' appetite for Chinese goods and technology.

Looking into the detailed numbers released by the NBS on Thursday, retail sales in June rose an impressive 12.1 percent from a year ago and industrial production grew by 8.3 percent, both higher than market estimates. Meanwhile, the customs administration said earlier last week that China's exports surged at a more-than-expected 32.2 percent in June. These figures speak of the health and resilience of China's economy.

"Our economy has seen a sustained and a steady recovery with the production and demand both picking up, employment and prices remaining stable, new driving forces thriving fast, quality and efficiency enhancing, market expectations improving, and prime macro indicators staying within reasonable range," the statistical bureau stated. So, allegations by some US media outlets that China's economy is hitting the wall and will sink and go broke is outright nonsense.

Also, their muckraking on China "exporting inflation" to the US is equally laughable.

It is US President Joe Biden's lavish fiscal spending policy, particularly the $1.9 trillion "American Rescue Plan" that he signed in March, is responsible for the sharp 5.4 percent rise in American CPI inflation in June.

And, why are made-in-China goods these days seeming pricier to American families? Just ask the US Federal Reserve officials how much they have pumped the greenback to the global monetary system, causing a stormy round of price rises of raw materials from steel, copper, lithium, gasoline to timber and chemicals.

In addition, the Biden administration's inheriting Trump's higher tariffs policy and waging a technology "decoupling" battle with China that has seriously disrupted global supply chains, including a prolonged shortage of auto chips, caused prices of American supermarkets and car dealerships skyrocketing. If the US government's policies are not revised quickly, the price elevation will only flare up in the coming months, forcing the Fed to raise interest rates and stifling its growth.

Cooperative competition is the correct way for Washington to pursue America's economic contest with China's. Unfortunately, the Biden administration, eager to contain China's rise, has followed a roadmap of "confrontational competition" with China, which is against economic basics and global development trends. Now, inflation has raised its ugly head, bedeviling a nascent economic recovery in the US.

It won't be very long that the US media pundits and the American people will recognize it is Biden's policies are handcuffing the American economy, while at the same time, China's economy and other economies, big or small, which interact positively with China, are keep powering ahead.

Source: globaltimes.cn– July 18, 2021

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China's Exports Rebounded in June Despite Shipping Delays

In June, China's exports and imports showed unexpected growth at the same time that massive disruptions rocked Southern China. This could be a sign of recovery after an economic slowdown caused by delays at the Yantian port, an effect that cascaded globally.

On Tuesday, China's General Administration of Customs released data showing that Chinese exports increased by 32 percent from a year earlier in dollar terms, even more than the 28 percent gain recorded in May. This surpassed expectations from economists, who had forecasted a slowdown due to lockdown restrictions in Southern China.

During the same period, imports rose by 37 percent, also overturning an earlier prediction of 30 percent. However, this was lower than May's 51 percent year over year rise. In total, China had a trade surplus of $52 billion for June, compared to May's $46 billion.

"The developments of foreign trade will face quite a number of uncertain and unstable factors in the second half of the year, as the coronavirus is still spreading at multiple places around the world and the pandemic situation remains complex," said Li Kuiwen, the customs administration spokesman.

However, Beijing still believes that the global macro-economic condition is very volatile. Assistant Minister of Commerce Ren Hongbin said Monday that the ministry will redouble its efforts to stabilize trade and foreign investment.

Some economists believe the trade rebound observed in June could have been caused by high commodity prices, as observed for iron ore prices and high freight rates passed on to consumers. Additionally, the unrelenting appetite for Chinese goods such as medical equipment and furniture could help account for the exports growth.

Source: maritime-executive.com– July 18, 2021

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Global growth boom may disappoint, says Morgan Stanley's Ruchir Sharma

China's regulatory crackdown on its technology sector and U.S. consumers possibly saving more than they spend are twin risks facing the world's economic recovery, according to Ruchir Sharma, head of emerging markets and chief global strategist at Morgan Stanley Investment Management.

Sharma, who is the author of bestsellers including "Breakout Nations" in 2012 and "The Rise and Fall of Nations" in 2016, isn't predicting a global bust. What he's warning is that the consensus for a robust boom may be overlooking downside risks that may cause momentum to fade sooner than expected.

Here are excerpts of the conversation with Sharma, whose most recent book is "The 10 Rules of Successful Nations."

How are you viewing the global economic recovery right now? Where is it headed?

I am a bit concerned that you have a very strong consensus out there that we are all set for a major economic boom to take place -- the growth estimates are still flying high. So what can go wrong is a question that bothers me and the bond market seems to be asking the same question. There are two fault lines developing in this global economic boom that we need to be wary about.

Can you elaborate on what those fault lines are?

One has to do with China. The whole crackdown on the tech sector is big and regulatory policy plays a tightening effect, as we have seen historically. The digital economy now is by some estimates 40% of China's economy. This number was 10% a decade ago. The emergence of the new digital economy has been the cash cow and golden goose. I am a bit concerned now that if you are going to crack down, what is going to be the impact on economic growth and how far will that go. That, to me, is a big concern for global economic forecasts.

What's your other worry?

People in the U.S. think the fiscal spending will fade and everyone thinks that is fine because the consumer is in such good shape and will pick up the slack. The problem is, if you look at the last time consumers had such a windfall, which was after the Second World War, they ended up saving a lot of that money rather than spending. What if the consumer ends up saving a lot of their windfall as they did the last time such a windfall happened? At the same time, there are a lot of consumers still scarred from the 2008 crisis.

Do you have a time frame for when the recovery may slow? How pronounced will that be?

I still feel the recovery has some legs to go, because, as the vaccine rollout speeds up in emerging markets they will do better. So I think the global recovery may not have peaked as yet. But I am concerned that the two big growth engines might be less robust than we think and that means the recovery could peak a lot more quickly than what the consensus expects today. I am not predicting we are going to get a global bust, but the consensus today is very strong that we are going to get a global economic boom. I am looking for where the flaws are in the conventional wisdom.

What would a Federal Reserve tapering mean for emerging markets?

I believe in that old line that history doesn't repeat itself so quickly. A lot of people have the 2013 fear (taper tantrum) at the back of their mind but I think the fundamentals are different. Yes, there are some emerging markets which are vulnerable, but those are the smaller frontier markets. I would say if you look at the big emerging markets, the vulnerability is less this time -- namely current account deficits and external debt situations. It's a lot calmer now. I feel much more constructive today than I did a decade ago for emerging markets.

Can you explain more why you're less worried about emerging markets?

To me, the upturn in the commodity cycle and the fact that the cost of adopting new technologies has fallen a lot and are being adopted very rapidly now across emerging markets, including some of the poorest countries. I think that gives me a lot of optimism about what can drive emerging market growth in the years ahead.

What's the downside of the massive stimulus since the pandemic crisis began?

We are now in an era of secular stimulus. We keep on giving stimulus and stimulus regardless of the circumstances. I think that has a lot of corrosive, insidious effects -- not in the form of a crisis but in the form of lower and lower productivity over time with the rise of the zombie companies which in turn crowds out the rise of new startups because you have so much deadwood floating. They undermine creative destruction. I think that is the real problem with these high debt levels.

What's your outlook for India's economy over coming years?

I've used this line about India for so many years and I see no reason to change it: this is a country that consistently disappoints the optimists and the pessimists. India just carries along, it's very hard to get too optimistic or pessimistic. India only carries out some level of economic reform when they have their back to the wall, so now we have had that back to the wall. It's a bit early but India is talking about privatization for the first time, it is talking about carrying out some reforms of its labor markets. So at least that is the one silver lining across emerging markets including India -- that the pandemic forces them to reform.

Source: business-standard.com– July 19, 2021

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UK inflation rises to highest level in nearly 3 yrs

Inflation in the United Kingdom is rising to its highest level in nearly three years because of rise in prices of food and fuel. The Office for National Statistics (ONS) said the annual rate of inflation rose to 2.5 per cent in June from 2.1 per cent the previous month. In August 2018, inflation had hit 2.7 per cent.

The increase has moved inflation further above the Bank of England's target of 2 per cent.

Many countries are experiencing a sharp increase in inflation as their economies recover from the impact of the onset of the COVID-19 pandemic.

According to UK media reports, some experts say the rise in inflation could be a warning sign that the economy is running into trouble, while some others say it is because the economy is beginning to grow again.

Source: fibre2fashion.com– July 16, 2021

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Iran: Annual garment exports up 99%

The value of Iran's garment exports reached over $113 million during the previous Iranian calendar year 1399 (ended on March 20) to register a 99-percent rise year on year, an official at the Ministry of Industry, Mining and Trade said.

Afsaneh Mehrabi, the director-general of the Weaving and Garment Industries Department of the ministry, put the value of exports of such products in the Iranian calendar year 1398 at $59 million, IRNA reported.

Speaking at a press conference on the sidelines of the International Exhibition of Textile Industry (Tehran Modex) on Sunday, Mehrabi noted that the production of garments and textile products in the previous year increased by 25 percent compared to the preceding year.

She also said that the production of the said commodities had increased by 20 percent in the Iranian calendar year 1398 (ended on March 19, 2020) compared to its previous year.

Mentioning the negative impacts of the U.S. sanctions and the coronavirus pandemic on the clothing markets in recent years, the official noted that the government decided to ban the import of such products in order to support domestic producers and provide them with an opportunity to improve the quality of their products and become more competitive in global markets.

She further stressed that this industry has enjoyed growth and dynamism over the last four years, saying: "holding such exhibitions in this field will present the industry's latest achievements and can be a significant help for the industry."

As announced by the spokesman of the Islamic Republic of Iran Customs Administration (IRICA), Ruhollah Latifi, Iranian garments are exported to Iraq, Kuwait, Australia, Armenia, Azerbaijan, Uzbekistan, Russia, Afghanistan, Pakistan, Turkmenistan, Kyrgyzstan, Germany, Korea, Japan, UAE, UK, Venezuela, Ivory Coast, Italy, Turkey, Canada, Qatar, Oman, Nigeria, Switzerland, Pakistan, Georgia, Spain, and Denmark.

According to the chairman of Tehran's Union of Garments Manufacturers and Sellers, domestic units are supplying 70-80 percent of the requirement for clothing inside the country.

"After the ban imposed on the imports of clothing, domestic units are taking all endeavors to boost the quality and quantity of their products in a way that we saw no shortage in clothing market before the new year holiday (early March)," Abolqasem Shirazi has said.

Source: tehrantimes.com– July 18, 2021

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Pandemic deprives Asia's garment workers of almost $12bn in wages

Asian garment workers have been deprived of almost $12bn in wages and severance pay as international retailers cancelled orders and demanded price reductions in the wake of the pandemic, according to a labour rights group.

The Clean Clothes Campaign said that roughly 1.6m garment workers had lost their jobs in seven Asian countries, including Bangladesh, India and Myanmar, with many denied severance pay. Workers in the countries it surveyed, except Indonesia, had on average lost pay equivalent to two months' wages or more.

As factories across Asia closed down due to lockdowns or cancelled orders, staff were laid off or paid only a small percentage of their normal wages, creating huge issues for workers in an industry where low pay makes saving difficult.

Khalid Mahmood, director of the Pakistan-based Labour Education Foundation, said lay-offs and underpayment in the $2.5tn global fashion supply chain were "not happening in just that one factory in Bangladesh or Pakistan".

"It's happening throughout the garment industry [with] garment workers globally being owed $11.85bn," he added.

Most western fashion retailers moved clothes production away from their home countries to south and south-east Asia decades ago in search of cheaper labour. This has gone hand-in-hand with the rise of so-called fast fashion — very cheap clothes that are meant to only be worn a few times and then discarded.

When pandemic lockdowns hit Europe and the US, many of the world's largest retailers responded by demanding heavy retroactive discounts or refused to pay for orders, as they initially feared they would struggle to sell clothes. Revenues slumped at some high-street brands, but many large retailers have returned to profitability as lockdowns have eased.

H&M, the Swedish fashion retailer, said it was aware that the hours of many Asian garment workers had been cut due to "prevalent lockdowns across the world and decreased customer demand".

"There is undeniably a need for structural change in several garment-producing countries with weak social protection systems," the company told the Financial Times, noting that it had during "these unprecedented times fully stood by our responsible purchasing practices".

Inditex, the Spanish owner of the Zara chain, which produces most of its clothes in Morocco, Turkey and Spain, said it had paid in full for all orders that had been produced or were in production when the lockdown hit.

It also said it was supportive of unionisation and collective bargaining in its supply chain "as a way to promote worker rights and fair wages".

The relationship between international fashion brands and those who sew the clothes has long suffered from a power imbalance.

The fall in prices paid for Asian-made garments, which has been evident for years, had been accelerated by the pandemic, said Christie Miedema, campaign and outreach co-ordinator at Clean Clothes Campaign.

"The speed at which prices are being driven down now is due to the crisis ... many garment factories are in financial distress after order cancellation and [are] desperate," she said.

The campaign group warned that as coronavirus infection rates continued to climb across the world, the situation for garment workers was likely to grow worse. It estimated the region's wage and job losses based on statements from employers, industry and worker surveys as well as media reports.

Source: ft.com– July 18, 2021

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Teejay first Sri Lankan company to become U.S. Cotton Trust Protocol member

The U.S. Cotton Trust Protocol welcomes Sri Lankan textile manufacturer Teejay Lanka and its wholly-owned subsidiary Teejay India as new members.

Teejay is the first textile manufacturer in Sri Lanka to join the Trust Protocol and the membership will allow the company to prove the cotton fibre element in its sourcing mix is more sustainably grown with lower environmental and social risk.

"Cotton is Teejay's principal raw material and we are committed to sourcing from verified sustainable and ethical producers," said Teejay Lanka CEO Pubudu De Silva.

"We are proud to become the first Sri Lankan company to join the U.S. Cotton Trust Protocol as a further affirmation of our commitment to use sustainably and ethically produced raw materials as well as our promise of transparency throughout the supply chain." The U.S. Cotton Trust Protocol is a farm level, science-based programme that sets a new standard for more sustainably grown cotton.

It brings quantifiable and verifiable goals and measurements to sustainable cotton production as well as drives continuous improvement in six key sustainability metrics: land use, soil carbon, water management, soil loss, GHG emissions and energy efficiency. The members will also be provided with full supply chain transparency through the Protocol Credit Management System.

"We are pleased to welcome Teejay to the Trust Protocol and assist their efforts to source more sustainably grown cotton," said U.S. Cotton Trust Protocol President Dr. Gary Adams.

"We understand that supply chain transparency is a business imperative and the Trust Protocol is the world's first sustainable cotton fibre to provide a fully transparent supply chain for all members through our Protocol Credit Management System. We look forward to assisting Teejay's sustainability and transparency commitments."

The Trust Protocol has welcomed more than 350 brand, retailer, mill and manufacturer members since its launch in 2020. This includes Gap Inc. and its collection of purpose-led lifestyle brands Old Navy, Gap, Banana Republic, Levi's and Athleta as well as global apparel manufacturer Gildan. The membership also includes the UK retailers Tesco, Byford and Next PLC.

The U.S. Cotton Trust Protocol is aligned with the UN Sustainable Development Goals and recognised by Textile Exchange and Forum for the Future and it is also part of the Sustainable Apparel Coalition, Cotton 2025 Sustainable Cotton Challenge, Cotton 2040 and Cotton Up initiatives.

Source: dailymirror.lk– July 17, 2021

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Malaysia: Textile, apparel sector pleads for business resumption

As losses mount, those in the fashion, textile and apparel sector are making an appeal to the government to allow them to operate under Phase Two of the National Recovery Plan (NRP).

Federation of Malaysian Fashion, Textile and Apparel (FMFTA) president Datuk Seri Tan Thian Poh said they were concerned with the current situation as they might only be allowed to operate when the country reaches Phase Three of the NRP.

“Total losses faced by manufacturers and retailers in the fashion, textile and apparel industry amount to RM163mil per day.

“As such, there is a great urgency for the industry to be allowed to operate under Phase Two to avoid the collapse of the industry beyond salvation,” he said during a virtual press conference yesterday.

The government’s threshold pointers for Phase Two of the NRP are average daily Covid-19 cases dropping below 4,000, intensive care unit usage no longer at a critical level and 10% of the country’s population having received two doses of the vaccine.

Since the first movement control order in 2020, Tan said about 15% of fashion, textile and apparel businesses had ceased operations while 30% were on the verge of closing down due to a lack of cash flow and future uncertainties.

“Due to the numerous MCOs, the fashion, textile and apparel manufacturers’ export values have reduced from RM27bil in 2019 to RM21bil in 2020.

“We reckon the situation will deteriorate further and will be beyond salvaging as some of our members are facing litigation and risk losing their overseas customers.

“These overseas customers will move their future orders to other countries if we are not allowed to operate soon,” he said.

He also noted that four renowned foreign-owned multinational textile and apparel factories had ceased operations in the country and retrenched about 6,000 employees in 2020.

“Since then, the chain effect continues, with many local SME manufacturing companies in the industry having to shut down or downsize, resulting in about 15,000 job losses.

“The situation will worsen if we are not allowed to operate under Phase Two of the NRP,” said Tan.

The supply chain of the fashion, textile and apparel industry employs about 500,000 people nationwide.

“A prolonged shutdown will put all the 500,000 employees at stake, and this will definitely aggravate the unemployment rate.

“We foresee that more than 30% of the retailers will collapse before Phase Three of the NRP and about 150,000 employees will be retrenched,” he said.

On a related matter, FMFTA applauded the government’s effort to expedite the national vaccination programme, while also urging it to review the threshold set by the National Security Council and immediately move to Phase Two of the NRP.

“I think the country is on the right track because about 30% of Malaysian adults have received their first dose of Covid-19 vaccine while more than 17% have been fully vaccinated.

“The country should move to Phase Two despite the high number of cases as other developed countries have accepted that Covid-19 is something we have to live with,” said Tan.

The group also urged the government to allow businesses to resume full operations if all employees have been fully vaccinated.

Source: thestar.com.my– July 17, 2021

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Bangladesh: To ensure sustained growth, diversification is key

BGMEA President Faruque Hassan says we need tap into the MMF trend for polyester and viscose popular in making athleisure clothes to diversity and increase revenue stream for the RMG sector

At its 50 years of independence, Bangladesh is basking in the glow of an impressive economic success story which has largely been catalyzed by a vibrant readymade garment (RMG) industry as 80% of the country's export earnings as well as large percentage of country's employment come from this sector.

Starting from almost nothing, Bangladesh RMG export has reached up to $34.13 billion in FY2018-19. Impacting the lives of millions, the export oriented RMG industry of our country is currently the employment hub of 4.4 million workers, where 60% of them are female. With contributing 11% to the national Gross Domestic Product (GDP), the readymade garment sector has facilitated the journey of Bangladesh from being aid-dependent to a trade-oriented.

However, the path towards excellence has never been easy or smooth. We have had our fair share of bumpy rides throughout the journey. At this instant, we are going through an unprecedented challenging period caused by the pandemic.

Going forward, our goal is to sustain our growth powered by innovation and diversification. Design development, innovation and end-to-end digital manufacturing, and diversification in terms of fiber and product are the critical needs of the hour, and we are focusing toward that direction.

Cotton has so far driven the country's growth in the apparel sector. But the growth of cotton-based products seems to have reached its peak, and there is little scope for growth through the natural fiber because the global fashion trend has drastically shifted from cotton to synthetic.

To better understand the increasing popularity of man-made fibre (MMF) in garment production let's have a look at the dramatic change in global fiber demand. Thirty years ago the global ratio of cotton-made yarn and artificial one was about 75: 25. In the last 30 years the demand for cotton has continuously declined while the demand for MMF or polyester has

gradually increased. As a result the current global ratio of cotton and MMF is about 26:74.

When 74% of international apparel markets have been captured by MMF-based products, about 75% of our apparel industry is cotton made. Our cotton based products are largely focused towards low-value added and commodity products such as shirts, t-shirts, trousers, jackets and sweaters which are exported to a handful of countries including Germany, USA, UK, France and Spain.

Globally the demand for MMF has been increasing due to a number of factors.

Firstly, there are massive changes in consumer lifestyle and attitude. Consumers are increasingly preferring MMF-based products due to its nature of being easy to care for, functionality and competitive price. The trend in athleisure, which covers clothing designed for workouts and other athletic activities, and yet at the same time the clothing can be worn at workplace or casual/social occasions is fueling demand for polyester.

There is also the factor that MMF-based apparels are durable, recyclable and reusable, thus it meets the criteria of sustainable clothing. MMF has earned the tag of green textile because plastic bottles are recycled and transformed into fiber.

In this way bottles are being saved from going into landfills or oceans. Thus, major brands like H&M, Nike etc. are attracting more and more environment conscious customers to MMF-based products.

Apart from Bangladesh's absence in the world of fiber except cotton, our export basket is concentrated within basic items. 73% of our exports are concentrated in 5 basic items, i.e. $7.01 bn T-shirt, $6.93 bn trousers, $4.38 bn jackets, $4.25 bn sweaters, $2.32 bn shirts exported FY 2018-19.

Now, if we categorize the export basket according to global trade value, it reveals the picture of over concentration in a few product categories. Among the top traded 18 apparel products worldwide, each of which worth more than $5 billion annual global import, the share of global import is 54%, whereas share of Bangladesh's export is 76%.

This means our concentration is higher only in the top traded items, simply put, commodity items where price is highly competitive and profit margin

is low. All the analysis indicates that Bangladesh has huge untapped potential in the area of product diversification, particularly in high end items like suits/blazers, lingerie, jackets, swimwear, sportswear, uniform, work-wear, etc. but we don't have much capability or expertise in these categories at the moment.

Moreover, there have been some major disconnects that limit the industry's potential to expand over high street fashion. The profile of the industry shows that it is mostly a volume driven industry having a little presence in the niche market.

Lack of innovative capabilities in the area of designing and product development, lack of expertise, skills and technologies are some of the major roadblocks to enhance our presence in the high end segment of the global fashion market.

The narrative of the industry has to also change to be able to tap the high-end market. An analysis suggests that 80% of our garment exports fall within the price range of $15 per KG, and only 20% of the exports get a price above $15 up to a tiny fraction for $35.

Contrary to adding higher values, trend suggests that Bangladesh has lost 1.7% of unit value of the garment exported in the last 5 years. This is mostly due to the growth in capacity of commodity items instead of high value items and its high time to change our investment focus and product diversification. However, Bangladesh's RMG sector is not sitting on the status quo; neither can it afford to do so. Manufacturers are aware of the current global trend and ready to realign their business strategy accordingly.

Since MMF-based products are all the craze in the global market, import of MMF as well as investment in its business is increasing rapidly in Bangladesh. The budget for the fiscal year 2021-22 extended certain tax benefits for polypropylene staple fibre and artificial/synthetic fibre, which will encourage existing business and new investments in non-cotton items.

Since we still have limited capacity in non-cotton category leading to comparative disadvantage with major non-cotton textile producing countries (due to lack of scale economy and higher marginal cost), but given the potential of non-cotton a special 10% incentive on the export of non-cotton apparel would add an extra edge for the industry to support this initial growth phase.

Investments in the high end backward linkage textile industry is of highest priority for us since after losing the LDC benefit in the EU market, we will have to comply with double transformation rules of origin, i.e. yarn to fabric and fabric to garment.

According to the data from Bangladesh Textile Mills Association, local spinners imported 99,345 tons of polyester staple fiber (PSF) in 2020, which is up 3.4% from 96,077 tons a year ago. The import of viscose staple fiber (VSF) also rose last year as spinners brought in 72,504 tons of VSF, which is a 36% year-on-year increase. Along with local entrepreneurs, foreign investors like Youngone announced earlier this year that it would invest $200 million in producing MMFs. All this is very encouraging news but it's just a start.

Bangladesh' RMG sector is thriving and investors in this sector are relentlessly striving to improve their export competitiveness. So, there are ample opportunities for this sector to grow in the value-added segment.

According to the World Trade Statistics Review (WTSR) 2020, Bangladesh's global share in readymade garment exports is 6.8%, which is up by 0.4% from its closest competitor Vietnam, and Bangladesh is trailing by 24% of the list topper China.

Experts are of the view that the country's share in global apparel export can be increased to 10% within just four years, if it taps the potentials of fancy and value-added products especially made of MMF.

What is needed the most is to create an enabling environment and incentivize investors to encourage investment in non-cotton garment and textile production and exports as it will bring more business and create employment.

These are the areas where Bangladesh needs foreign investments which will bring in new expertise and technologies. Time is ripe to act upon and realize the potential ahead of us. The success over the years has made the sector insiders audacious to dream even bigger.

Source: dhakatribune.com– July 18, 2021

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Bangladesh: RMG buyers putting work orders on hold

They cite uncertainty whether factories will operate during next lockdown, exporters say

International retailers and brands are putting on hold work orders placed with many factories amidst the uncertainty over whether garment factories will be allowed to run during the upcoming 14-day lockdown beginning July 23, said exporters.

The decision is yet to be taken although the local garment manufacturers and exporters on Thursday appealed to the prime minister in favour of continuing operations.

"So, the buyers have been asking me frequently how the work orders would be executed as the lockdown for two weeks is going to be imposed," said Mostafiz Uddin, managing director of Chattogram-based Denim Expert.

"I am scheduled to send $1 million worth of goods on August 1 and 5. If the lockdown continues, I cannot send those goods and my buyers have already said they will not give me a time extension anymore," he said.

The alternative solution is going for expensive air shipments which is a major concern for him, added Uddin. Sending goods on aircraft is very expensive and many local exporters cannot afford it during this pandemic as they have been struggling to survive and revive business from the Covid-19 fallouts, he said.

"It (imposing lockdown) will be the biggest disaster in our industry," Uddin told The Daily Star over the phone. Many buyers have already been following a go-slow policy regarding placement of work orders considering the possible imposition of lockdowns, although they were not yet cancelling those already made, said Uddin.

The months of July and August are also very important for two critical reasons, he said.

This is the peak season for sending goods for the upcoming winter season and Christmas sales and for placing work orders for the next summer season, said Uddin who has also been struggling to revive his business from losses incurred last year.

There is a possibility of a portion of work order getting shifted to other countries if the local suppliers cannot cater to those timely and properly, he said.

"It will be difficult to bring back the work orders if those are diverted from here to other countries for any reason," Uddin also said. "Both we and the buyers are very much worried," he said.

Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), the platform of apparel makers and exporters, echoed Uddin.

He said many international retailers and brands have been either sending messages or making phone calls and sending mails to know what would happen over the lockdown as they were very worried about their supply of goods.

"No buyer has cancelled work orders up until now as no BGMEA member has complained about it. However, a lot of the members have been complaining to me about the placement of work orders by the international retailers and brands," he said.

For instance, buyers who were supposed to place orders for one million pieces of t-shirts are now seeking half of it as uncertainty prevails over production due to the upcoming lockdown, he said.

Although the buyers were not cancelling work orders up until now, if uncertainty prevails, the situation might prompt them to go for cancellations in the near future, said Hassan.

He said he has been lobbying with the government high-ups over the past three days to keep garment factories out of the purview of the lockdown for maintaining smooth operations of the supply chain of apparel items in the peak season, he said.

Particularly, if the buyers lose their confidence in Bangladesh, it will be very difficult to restore it, he added.

Abdul Kader Khan, president of the Bangladesh Garments Accessories & Packaging Manufacturers & Exporters Association (BGAPMEA), said most of the garment workers were from northern districts.

They could turn into carriers of the virus if they are allowed to travel to their village homes, he said.

Shahadat Hossain Sohel, chairman of the Bangladesh Terry Towel & Linen Manufacturers & Exporters Association (BTTLMEA), said all hotels in Europe and the US have reopened.

They need a lot of towels and this is peak season for the shipment of towels, he said. "We will be losers if we cannot supply towels to them timely," he also said.

If the factories cannot run, the garment suppliers will have to face expensive air shipments for which many will be affected badly, Sohel said.

Freight charges have reached abnormal highs, with the cost of sending a kilogramme (kg) of garments from the Chattogram port to London now being 36 cents. It used to previously cost nearly 20 cents.

But sending each kilogramme of goods by aircraft from the Dhaka airport to London currently costs $4.30.

The rates will go even higher if the international retailers and brands want to get goods within the time they have set, he said.

No factory owner is capable of bearing the cost of expensive air fares in the time of pandemic, which has already affected the global supply chain badly, Sohel said.

Leaders of trade bodies of the garment and textile sector in Thursday's joint statement to Prime Minister Sheikh Hasina and the cabinet secretary said Bangladesh's garment export would lose out $119.38 million per day if the factories were shut down for any reason.

On the first 14 days of the current fiscal year, the earning from the garment sector is estimated to be $1.68 billion, they said.

Source: thedailystar.net– July 18, 2021

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Pakistan: Cotton prices fall up to Rs700 per maund

Cotton prices fell by Rs400 to Rs700 per maund in local markets with textile and spinning mills reluctant to buy rain-affected commodities, traders said on Saturday.

Traders said monsoon rain in Sindh and Punjab affected the cotton prices. In Sindh, cotton prices declined Rs400 to Rs600 per maund at Rs12,600 to Rs12,800 per maund from Rs13,000 to Rs13,200 per maund. Seed-cotton prices dropped by around Rs300 to Rs400 per 40kg to Rs5,200 to Rs5,700 per 40kg. Cottonseed was sold for Rs1,700 to Rs1,800 per maund in Sindh.

Traders said ginning factories have also closed their doors for rain-affected seed cotton. Ginners were having stocks of cotton prior to rain and they were demanding higher prices. Due to such issues, some ginning mills are partially closed.

Minimum price of seed-cotton was fixed at Rs5,000 per maund. The Economic Coordination Committee of the cabinet directed the Trading Corporation of Pakistan to procure 200,000 cotton bales from the market.

Trade volume has also declined in the market. Fares of trucks have increased ahead of Eid as trucks are used in loading of animals. Traders said cotton trade will take momentum after the Eid holidays.

“Prices in the international market are increasing and there is very little chance for the local lint to witness further low prices,” said a trader. Fourth wave of Covid-19 is seen as a threat, which could attract lockdown and businesses’ closure.

Karachi Cotton Brokers Association Chairman Naseem Usman said the international market witnessed an upwards trend during the outgoing week. In the New York Cotton Market prices moved up to 88 to 90 cents per pound. The US exports were down 34 percent. However, due to depreciation in dollar value, market prices remained stable and new reports of the US and China trade tussle did not affect cotton prices.

Cotton prices in China, Brazil, Central Asia and Africa increased during the week. Prices surged in India, as it had entered into a deal to export one million bales to Bangladesh while China started selling cotton from its old stocks.

Around three ginning factories started operation in Balochistan where cotton prices were recorded at Rs13,900 to Rs13,000 per maund. Spot rate committee of the Karachi Cotton Association reduced the official spot rate by Rs400 to Rs12,700 per maund.

Pakistan Cotton Brokers Association said some dealers had maligned the market practices and the association will take care of such issues.

Source: thenews.com.pk– July 18, 2021

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Ample opportunities for investors in Sri Lanka: Pak envoy

Speaking at a meeting of Korangi Association of Trade and Industry (KATI) he said that Pakistani investors in Sri Lanka can invest in the construction, textile, pharmaceutical and tourism sectors.

Sri Lanka is a poor country but there are ample opportunities for Pakistani investors, they need to understand the nature of the Sri Lankan market. Major General (Retd) Muhammad Saad Khattak said that single country exhibition was organised last month in which a number of Pakistani products were presented that received tremendous response. Construction, textile, medicine, rice, sugar, fruit and vegetable products can be imported there, while investment can also be made in the tourism sector, he added.

He further said that if KATI bring delegation of industrialists and investors for a visit to Sri Lanka, the Pakistani Consulate will provide them all possible facilities.

KATI President Saleem-uz-Zaman said that trade between the two countries was very limited and the exchange of delegations was halted due to the epidemic situation. He said that trade could be significantly increased if facilities were provided to local investors.

Saleem-uz-Zaman said that Major General (Retd) Muhammad Saad Khattak is a capable and extensively experienced diplomat and such officers could increase the joint trade in many folds.

On the occasion, Rashid Siddiqui, Chairman KATI Standing Committee for Diplomatic Affairs, said that holding single country exhibitions could increase the trade volume. He further said that if Pakistani diplomats and trade staff in other countries properly promote domestic products, it would possibly increase imports and facilitate access to international markets.

Source: brecorder.com– July 18, 2021

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Leveraging free trade agreements for Pakistan's export growth

Free trade agreements (FTAs) regulate trade by waiving off certain duties, taxes, and tariffs, aiming to reap maximum benefits from both countries' comparative advantage positions. However, these agreements need to be effectively leveraged to enable market access and export-led economic growth and to maintain a sustainable trade balance.

The anti-export bias of Pakistan's trade policy has made it difficult for expansion-oriented industries to grow by accessing global markets and has also discouraged foreign firms from investing in Pakistan.

As a result, Pakistan's exports have remained stagnant, lacking diversification and sophistication.

The untapped Chinese market

Despite its immense potential, the Pakistan–China free trade agreement (FTA) has had only a modest impact on bilateral trade.

The first phase of the FTA did not successfully steer export diversification as expected, given that the products that accounted for this increase were primarily exports of cotton yarn, linens, and leather.
Key Pakistani exports have remained at partial or no concessions under the FTA-I. While China has granted concessions on tariff lines amounting to 83 percent of export volume, about 70 percent of exports are in tariff lines at less than 50 percent or no concession.

Despite China granting concessions to 72 percent of Pakistan's exports, findings show there is considerable export potential that could still be explored. Only 30 percent of Chinese tariffs under the agreement have been fully liberalized.

Important Pakistani exports receiving no or only partial concessions under the FTA include cotton yarn (with greater than 85 percent cotton), semi-milled or wholly milled rice, leather further prepared after tanning or crusting, and fresh or dried nuts. In sum, the China–Pakistan Free Trade Agreement has room for expansion in both sectoral scope and depth of commitments.

Phase-II of the CPFTA intends to deepen trade relations between China and Pakistan through increased liberalization of trade, safeguarding mechanisms for domestic industry, and facilitating the intercountry balance of payments and electronic data exchange.

Other free trade agreements

Pakistan has as such signed FTAs with China, Sri Lanka, and Malaysia; while enjoying preferential trade agreements (PTAs) with Iran, Indonesia, and Mauritius. Pakistan is also part of the South Asia Free Trade Agreement (SAFTA) under the auspices of the South Asian Association for Regional Cooperation (SAARC) and has a Transit-trade agreement with neighboring Afghanistan.

Pakistan has now also signed a transit-trade agreement with Uzbekistan, finalizing a preferential trade agreement (PTA) within three months to boost bilateral trade volume and opening the gate for trade with Central Asian Republics.

Click here for more details

Source: globalvillagespace.com– July 17, 2021

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NATIONAL NEWS

With more corpus, RoDTEP to pack more punch

With garments under RoSCTL scheme, about ₹7,000 crore may be freed up

The Remission of Duties and Taxes on Exported Products (RoDTEP) scheme is likely to get more attractive for beneficiary exporters as the garments and made-ups sectors are no longer competing for the limited funds available. The outlay, too, is set to be increased, an official tracking the matter has said.

"The Centre's recent decision to extend the Rebate of State and Central taxes and Levies (RoSCTL) scheme for the garments and made-ups sector for three years instead of including them in the RoDTEP scheme will ensure that a considerable part of the RoDTEP outlay, possibly an estimated ₹7,000 crore, that was to be allocated to these two items, now can be used to remit input taxes to the other sectors," the official said. Moreover, with pressure from the highest authorities, the Finance Ministry is also preparing to raise allocation, he added.

RoDTEP scheme

The RoDTEP scheme, announced on January 1 with the simultaneous withdrawal of the popular Merchandise Export from India Scheme (MEIS), seeks to refund exporters the embedded duties/taxes that are not rebated under other schemes.

These include VAT on fuel used in transportation, mandi tax, and duty on electricity used during manufacturing. The rates of remission for various sectors, however, are yet to be announced. Exporters have been apprehensive about the final rates as the Finance Ministry had only allocated ₹13,000 crore for the scheme for fiscal year 2021-22.

When compared to the ₹49,000 crore budget that was originally planned for the RoDTEP scheme and the fact that about that amount was annually distributed under the MEIS scheme, there were concerns that the ₹13,000 crore would not go too far.

"Following representations made by the Commerce Ministry highlighting that the budgeted amount would fall far short of the RoDTEP rates recommended by the GK Pillai committee, the Finance Ministry had reportedly agreed to raise outlay to ₹17,000-18,000 crore. But that too was not enough for the requirements," the official said.

Funding scope

With exporters getting restless waiting for the RoDTEP rates, as lack of information has been affecting their pricing decisions, a number of high-level inter-Ministerial meetings, including PMO officials, were held recently and it was decided to increase the funding scope for the scheme, the official pointed out.

"The Finance Ministry now seems ready to part with over ₹20,000 crore annually for the scheme instead of the allocated ₹13,000 crore," the official added.

What now needs to be seen is whether the RoDTEP will be extended to only the roughly 8,000 items covered under the MEIS or will there be enough funds to cover all 11,000 traded items.

A decision on placing caps on refunds also needs to be taken. India's exports, after declining 7.26 per cent in 2020-21 to $290.63 billion due to Covid-19 pandemic disruptions, are back on track in the on-going fiscal. The government and exporting community, however, need to strive to attain the ambitious $400 billion export target set for 2021-22.

Source: thehindubusinessline.com– July 18, 2021

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India and EU set to resume free trade agreement talks after 8 years

Talks with the EU on a free trade agreement are set to begin later this month after eight years with the commerce ministry scheduling a meeting among the stakeholders this week.

Sources said the dates for the first few sessions with the EU representative have been set before the end of this month. The parties have agreed to launch negotiations on key issues such as market access, investment protection and geographical indications. The preliminary talks on the Broad-based Trade and Investment Agreement (BTIA) will be based on the initial recommendations of industry groups.

India's commerce ministry has asked various export promotion councils to identify items that are sensitive and need to be protected and also the ones for which they need a greater access to the EU.

Apart from the export promotion councils, industry bodies such as the CII, Ficci and the FIEO, will offer their suggestions.

“There are some sectors where both India and the EU had reached a consensus when they decided to put the negotiations on hold in 2014. These include reduction in tariffs in many products for example, zero for zero in case of apparels,” trade economist Arpita Mukherjee of the Indian Council for Research on International Economic Relations (ICRIER) said.

“It may be easier to move forward if such sectors are not opened up again for tariff discussions. Some issues that India had raised earlier like intra-EU labour mobility related issues have been addressed by a EU Directive. This can be resolved easily.”

She said “India has discontinued its bilateral investment treaties with the EU member states and hence the focus of the EU is to have a clear and transparent investment agreement. The EU may look at EU-China as a model investment agreement to be replicated with India and the Indian side needs to see whether we are ready to discuss issues like public sector enterprises, and subsidies.”

"I do not think that the negotiations are less complex now and we need to be prepared for the negotiations. There are new areas of negotiations like e-commerce or public sector enterprises or carbon tax. India needs to have industry consultations and conduct research to develop a position that is beneficial for the country," she said.

As many as 16 rounds of talks were held on the BTIA between 2007 and 2013. But they hit a wall after India decided to terminate the existing bilateral investment treaties (BITs) with 23 European countries in 2016.

The EU had criticised the move while asking India to keep the individual agreements in force until a new pact was signed.

The Centre has maintained that all future investment pacts will be negotiated under the framework of the model BIT issued by the government in 2015. This was meant to form the basis for individual deal agreements to be negotiated with other nations.

The decision to resume talks was taken at the India-EU Leaders' meet earlier in May.

The EU is India's third largest trading partner, accounting for 62.8 billion euro worth of trade in goods in 2020 or 11.1 per cent of total Indian trade, after China (12 per cent) and the US (11.7 per cent), according to the European Commission.

Among European countries, the UK was the top trading partner, accounting for bilateral trade worth $12.29 billion with India in 2020-21.

Source: telegraphindia.com– July 19, 2021

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Easing market entry, only a first step towards MSME entrepreneurship simulation

Indian youth today have displayed a much welcomed penchant for starting-up, which has bolstered the existence of MSMEs since 2001, helping the sector become much more organised and advanced. Being a young nation, India is evidently evolving and MSMEs play a pivotal role in this economic renaissance. Emphasising the importance of MSMEs, the government has recently taken a big step by easing out the registration of business processes, also known as 'Udayam Registration'.

This will boost entrepreneurship in India, motivating first-generation entrepreneurs to register and help in sustaining the ambitious Atmanirbhar Bharat mission. The first five years of every entrepreneur is very crucial and hence easing out in the registration process by the government certainly has taken some load off the shoulders and enabling them to focus more on business resilience and sustainability.

While the ease in the registration process is welcomed by both MSME's and first-generation entrepreneurs, they are also expecting more relaxation in the continuations of the process in the coming years. Since it's not a one-time process and needs annual updates like Aadhaar linking, organisational changes, new hiring, or even updating the relocation of the office.

Though this announcement ensures the ease of registration for MSMEs across the nation, one needs to be sure that the following pointers are implemented for smooth functioning:

Raising awareness

Even after the announcement, most of the entrepreneurs remain ambiguous about the entire process. The government needs to create an awareness highlighting the importance of Udyam registrations and disseminate information about MSME schemes and their benefits to small scale enterprises, along with know-how of any public procurement policy.

Workshops, webinars, and master classes may be conducted with the entrepreneurs based on their sector or geography, to help them understand the benefits associated with the Udhyam registration process. The government should educate the entrepreneurs that by virtue of their registration as an MSME/SSI ('Small Scale Industries') under the MSMED

Act, they are entitled to certain benefits like exemption of interest rates on overdrafts, eligibility for industrial promotion subsidy etc.

Digitalisation

The restricted and limited access to electricity and internet access in rural areas remains a major impediment in the furthering of MSMEs. As per data from the Ministry of Micro, Small and Medium Enterprises, almost 51% of Indian MSMEs are based in rural areas. Hence a completely digitised registration process needs to be backed by proper training, masterclasses, and workshops to ensure proper communication so it can be executed on ground by the ones who most need it.

One major factor here is the ease of use, or in other words the entire registration process needs to be user-friendly. If we consider other apps like Tik Tok or Instagram, one can see that these have easily found their way simply riding on the back of their ease of use. If the MSME digitised process on Udhyam Registration is not as simple as using social media, it might not help the stakeholders. Another consideration should be that the registration process should be available in local dialects, which will make it easier to understand in such rural areas.

Trust

India reported 1.16 million cyber security cases in 2020, which is three times more than 2019, as per government data presented in parliament. Quite often, MSMEs feel that uploading their personal documents like Aadhaar or pan card online might make them vulnerable to any kind of cyber threat or lead to theft of their data. This discourages them from online registrations and hence they tend to stay away from doing so by adhering to the long offline processes.

The safety of such processes, therefore, needs to be thoroughly communicated to the affected parties and they must be educated with the benefits of it. While the NSDL eGovernance Infrastructure Limited (NSDL eGov), which provides various eGovernance services on behalf of the government to the citizens of the country, is spreading awareness on how customers can register themselves, it is also needs to be fast tracked for the better implementation of the new registration policy and to make the rural entrepreneurs comfortable of adapting the digitised method.

As the government has started focusing on increasing entrepreneurship in the country, it must also be complemented with reforms that allow entrepreneurs to work collectively and leverage a sounding board on which they can rely on for unique challenges, growth modules, advisory, and implementation.

Not only will this encourage and push a new age entrepreneur towards the realisation of his entrepreneurial ambition, but also help the entire entrepreneurial ecosystem with a better understanding of government policies, changing economic space, its impact on diverse industries, and also enable learning from varied experiences.

Source: economictimes.com– July 17, 2021

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Export hubs face worker shortage, as migrants stay away

Firms in Tirupur, India's largest garment hub, are operating with only about 60% of their usual workforce. In Surat, which houses some 6,000 diamond-cutting units, about 4,00,000 migrant workers and artisans or 40% of the industry's labour force, haven't yet returned to work since Holi.

Fabric production in Surat, also a textiles hub, has crashed by a fourth to three crore metres a day. Leather units in Chennai face up to 20% drop in labour participation.

Export hubs of key labour-intensive industries, already struggling to cope with a liquidity squeeze, are facing a shortage of workers, as most migrant labourers keep away just when orders from crucial western markets start to pour in.

The shortage — in the range of 20% to 40% of the usual workforce — threatens to derail the recent growth momentum and impair exporters' ability to honour supply commitments on time amid a fast depletion of inventory.

Exporters of textiles, garments, leather products and gem and jewellery from hubs, such as Tirupur, Chennai, Mumbai and Surat, that FE spoke to said fears of a possible third Covid wave and consequent lockdown in states have kept most migrant workers at bay and even discouraged some overseas buyers from getting into fresh contracts.

In some cases (mainly in garments), buyers in the US and the EU are insisting on firm commitment by Indian suppliers on timely delivery, well before the crucial Christmas season, the exporters said. Unsurprisingly, MSMEs are hit harder than large entities.

The Tirupur garment cluster — with 1,000-odd units, mostly MSMEs — employs around 6,00,000 people. About a half of them are migrant labourers. Even many local workers couldn't join work until recently, as public transportation wasn't allowed during lockdowns imposed by the state to contain second wave.

Raja M Shanmugham, managing director of Warshaw International and president of the Tirupur Exporters' Association, suggested that states be prudent while imposing restrictions and there should be predictability in

policy prescriptions. Large-scale vaccinations must be undertaken in key industrial areas and credit flow to MSMEs need to be substantially bolstered, he said.

The norms under the Emergency Credit Line Guarantee Scheme (ECLGS), especially on 10% additional loans, should be relaxed to facilitate greater lending to those units that don't want to go for a loan recast, Shanmugham said.

Of course, labour participation is improving with the easing of localised lockdown curbs but is still way off the normal levels, the exporters said. This will prevent exporters, at least temporarily, to fully take advantage of the rebound in demand in key export markets.

Importantly, having shot up sharply in April and May, growth in the country's shipments of garments and leather products lost pace in June and remained much lower than a 48% jump in overall merchandise exports. While exports of garments grew 25% in June, those of leather products rose 33%. However, gem and jewellery export grew 81% in June but it was driven by a massive base effect.

Dinesh Navadiya, chairman of the Gems and Jewellery Export Promotion Council (Gujarat region), said the absence of nearly 4,00,000 migrant artisans and workers in the diamond hub of Surat has weighed down production by up to 20% across units. Many exporters in the hub are struggling to deliver on time, he added. About 90% of the world's rough diamonds are being cut and polished in Surat. The 6,000 diamond-cutting-and-polishing units in the city employ about one million people.

Similarly, power loom weavers in Surat are forced to operate in only one shift due to lower worker participation. "We are experiencing a 30-35% shortage in the workforce. Weaving is a highly labour-intensive industry," said Mayur Golwala, president of Sachin Industrial Estate, which houses hundreds of weaving units near Surat.

Golwala, also the secretary of the Federation of Gujarat Weavers Association, said that the labour shortage has driven down fabric production to just above three crore meters from about 4 crore meter fabric per day.

Nearly two million people are working in different segments of the textile industry in Surat, which includes composite mills, spinning and weaving units, processing houses and about 400 textile trading markets.

Every segment of the textile value chain in Surat is short of labour forces, Golwala pointed out.

Source: financialexpress.com– July 19, 2021

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India's e-retail market likely to grow seven times in 10 years

India's e-retail market will grow seven times to touch $300 billion over the next decade. The next phase of expansion will be led by e-grocery and the smaller towns, analysts at JP Morgan said in a report.

According to Euromonitor, the country's e-commerce market has grown 13 times over 2014-21 to $41 billion with 6.5 per cent penetration.

"India e-tail penetration is at the lower end of its emerging market and developed peers. This provides ample opportunity to grow at a rapid pace. Indian e-tail growth was held back by lack of online shoppers in tier-II and tier-III cities as the market was dominated by saturated metro/tier-I city users," the JP Morgan report said.

The e-grocery segment could be another area contributing to its growth. Grocery is the largest category in the country's retail market at $410 billion in 2020 and has the lowest online penetration at only 0.9 per cent.

The low penetration provides the platform to become the fastest growing segment over the next 10 years, the analysts said.

Covid-19 has only led to more online buying of groceries as the shoppers were unable to step out of their homes because of lockdowns. The trend continued throughout the last year, and shoppers now are comfortable with online purchases.

The brokerage expects e-grocery to grow 28 times to $96 billion over the next decade.

Source: telegraphindia.com– July 19, 2021

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Container shortage hits exporters

For exporters in the region, who ship a variety of goods to different international destinations, shortage in availability of containers and high freight costs are hitting business.

Raja M. Shanmugham, president of Tiruppur Exporters Association (TEA), said that exporting units faced shortage of containers, longer waiting time to get containers at ports have, hike in freight charges.

“We understand that the price hike is attributed to COVID-19 that has left the global shipping lines with backlogs and delays due to labour shortage, reduced capacity of logistics systems, congestion at ports as well as quarantined cargo,” he said in a press release.

Garment exporters have no option but to turn to air lifting of goods and thus incur huge logistics cost. The knitwear exports from Tirupur, valued at almost ₹25,000 crore a year, is expected to pick up as the Union government has announced RoSCTL, the State government has relaxed lockdown restrictions, and demand reviving in the U.S. and European markets.

However, the exporters here are unable to ship on time at viable prices because of the shortage of containers, he said.

Coimbatore Custom House and Steamer Agents Association president P. Subramaniam said exporters started facing container shortage last October and the situation had not improved. “Normalcy never returned and I think there will be relief only if the Government intervenes,” he said.

Most of the shipping lines have taken to online business. So, there is no platform for the agents to discuss with representatives of shipping lines. “Yesterday, I booked five containers online and it was cancelled immediately saying bookings are full. Now, I do not know when the containers will be available,” he added. There are customers waiting for even two months for containers, he said.

Source: thehindu.com– July 17, 2021

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Sigma launches e-shopping platform to aid textiles

The South Indian Garments Manufacturers Association (Sigma) will be launching a new online home delivery system to overcome the crisis in the textile sector. The association has come up with a mobile application that will help the sector to tide over the serious financial problems caused by the pandemic.

According to the association, 'Sigma E Marketplace' is envisaged to provide the services directly to the customers. "The aim is to become an alternative space for online shopping giants like Amazon, Flipkart and Ajio with the help of an international-level online interface and mobile application. The application will work in favour of the customers. Delivery will also be expedited," said the association. "The textile sector in Kerala has been going through tough times for the past three years.

The problems faced by the clothing merchants did not start with COVID. Nipah and the two floods almost destroyed the sector. These disasters were followed closely by Covid. The pandemic has caused a loss of about Rs 1,000 crore in the textile sector. Many of the textile showroom owners have not been able to open their shops for months and are finding it difficult to pay rent," said Abbas, general secretary, Sigma..

Source: newindianexpress.com – July 17, 2021

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FedEx Express to invest $100 mn in Delhivery for India market

FedEx Express, the world's largest express transportation company, and Delhivery, a logistics and supply chain services firm, have entered into equity and commercial agreements that will utilise their combined strengths to unlock India's international trade potential. As part of the collaboration, FedEx will make a $100 million equity investment in Delhivery.

"India is a strategic priority for FedEx. This strategic alliance will support our long-term vision to grow our India business and serve customers seeking to expand in or enter the Indian market, as well as provide opportunities to develop product and technology solutions together with Delhivery for the benefit of our customers" Raj Subramaniam, president and chief operating officer of FedEx Corp, said in a press release.

"We are excited to partner with FedEx and look forward to the synergies created between Delhivery's capabilities in India and FedEx's global network.

Our aim is to bring new products and opportunities to Indian and global businesses and consumers through unique access to our networks, and our technology and engineering capabilities," Sahil Barua, co-founder, and chief executive officer, Delhivery said.

Both the companies will enter into a long-term commercial agreement. Completion of this transaction is subject to closing conditions, including regulatory approval, according to the company's statement.

"FedEx Express will focus on international export and import services to and from India, and Delhivery will, in addition to FedEx, sell FedEx Express international products and services in the India market and provide pick-up and delivery services across India. FedEx will transfer certain assets pertaining to its domestic business in India to Delhivery," the statement added.

Additionally, Don Colleran, president and CEO of FedEx Express will be nominated to join the Delhivery board of directors as a further sign of collaboration between the two companies.

This transaction combines the FedEx global network with Delhivery's extensive pan-India network and technology solutions to bring the best of both worlds together.

The investment and the commercial agreement between the two companies deepens the FedEx commitment to the India market and signals a significant step in providing innovative services and solutions that aim to improve speed, efficiency, and access for FedEx and Delhivery customers.

Source: fibre2fashion.com – July 17, 2021

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