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IBTEX No. 147 of 2021 July 26, 2021

US 74.52| EUR 87.74| GBP 102.42| JPY 0.68

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INTERNATIONAL NEWS

UK Developing Rules for Trade with Developing Countries

The United Kingdom's Department for International Trade launched July 19 a consultation on the Developing Countries Trading Scheme, which would "grow free and fair trade" between the UK and 70 qualifying countries. The consultation will be open for eight weeks to businesses, the public, civil society groups, consumers, associations, partner governments, and any other interested stakeholders.

The UK currently operates a similar scheme carried over from the European Union, but the department said the DCTS would include improvements such as lower tariffs on imports from low-income and lower middle-income countries and simpler rule of origin requirements for least-developed nations.

"Now the UK is an independent trading nation we have a huge opportunity to do things differently, taking a more liberal, pro-trade approach," said International Trade Secretary Liz Truss. "Countries like Bangladesh and Vietnam have proven it's possible to trade your way to better living standards, and our new Developing Countries Trading Scheme will help others do the same."

Foreign Secretary Dominic Raab added that the UK "intends its new scheme to be best in class" and that it will incorporate and build on "some of the strongest elements" of similar programs in the U.S., Canada, Japan, and the EU.

Source: strtrade.com– July 26, 2021

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USA: The Inflation Bubble is Ready to Burst

Inflation has likely hit its peak in the U.S. At least according to some economists.

That easing is largely thanks to shoppers shifting spending from on goods to spending on services. After a year spent trapped at home by commercial sector shutdowns, consumers are splurging on airfare, eating out and going to the movies.

Due to these behavioral shifts, economists project that the nation has hit its inflationary peak, and stands to see a decline in the coming months. However, price increases are unlikely to roll back to the Federal Reserve's target rate of 2 percent before 2022, S&P Global Market Intelligence revealed in a report this week. That's partly because when it comes to physical products, supply and demand are still far from being aligned.

As consumers furiously clicked "buy" on goods like apparel and footwear, home improvement products and furniture beginning last fall, brands and retailers found themselves struggling to import enough goods to satiate returning appetites. Pressures mounted, causing supply chain slowdowns and shipping delays that persist this summer. The road to a full resolution of those backlogs may be long, experts say.

In June, the headline consumer price index rose 5.4 percent (4.5 percent excluding fluctuations in food and energy). The figure represents the largest increase since 1991, as consumers have clamored to purchase products like cars, apparel and other commodities, for which availability has been slowly rising in recent months. The index for apparel increased 0.7 percent in June, Federal Reserve data shows, following a 1.2-percent rise in May.

While consumers are still evincing an eagerness to purchase products, they're now diverting dollars to other areas, as well. The quantity of goods being purchased by shoppers has actually contracted for two months in a row, S&P noted, with the personal expenditure on durable goods shrinking by 4.3 percent month over month in May. The quantity of services being consumed, however, is on an upward trajectory.

"As the economy continues to reopen, allowing consumers to spend their money on services, there will be less upward pressure on the price of goods, easing the inflationary bubbles that have appeared," S&P analysts wrote.

It may take time for changes to appear at retail, according to a poll conducted by 451 Research of 606 U.S. businesses. One-third of respondents said they were continuing to raise prices, compared with just4 percent that said prices were falling. Retail leads the pack, with 44 percent of brands and retailers copping to upping prices, while the manufacturing sector follows closely behind at 41 percent.

Supply chain bottlenecks remain a concern, S&P analysts noted, as new Covid outbreaks in Taiwan threaten industry in the area. In June, global logistics advisory firm Gartner told Sourcing Journal that shipment delays and container shortages could impede global trade through Chinese New Year, with continued outbreaks across the globe likely to impact ports across the globe this fall. In March, the six-day blockage of the Suez Canal by a massive cargo ship tied up as much as 15 percent of the world's container capacity, authorities said at the time, causing shipping prices to skyrocket. In late May, an outbreak in Southern China shuttered the country's third-busiest port, Yantian, for a week, and hobbled operations there for nearly a month afterward, upping pricing pressures.

With few safeguards against these kinds of disruptions, importers across categories could face continued challenges bringing in product to meet shopper demand, especially during the peak shipping season of August through October. Logistics prices are likely to reflect heightened demand—and brands may opt to pass those costs along to the consumer.

Gregory Daco, chief U.S. economist at Oxford Economics told S&P that while the current moment represents an economic "inflection point," the country stands to see some "stickiness" around inflation that will begin to moderate in early 2022. Meanwhile, ING chief international economist James Knightley told the group that inflation could remain "well above" the Fed's 2 percent target for years.

"Given the strength in demand, I am worried that there is broader scarring in the economy," he added. "This may limit the economy's ability to fulfill that demand."

Source: sourcingjournal.com– July 24, 2021

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As Port Activity Stalls, Vietnam Opens Direct Rail Line to Belgium

Apparel brands sourcing in Vietnam now have another outlet to ship products out of the country as ocean freight rates keep increasing and container capacity continues to be constrained.

Vietnam Railways (VNR) opened a new direct rail freight in the nation's capital, Hanoi, that departed for Liège, Belgium for the first time this week. The freight car carried 23 forty-foot equivalent units (FEUs) of garments, textiles and leather shoes out of Hanoi's Yen Vien Railway Station.

During its journey, the train will stop at Zhengzhou, China and connect to the Asia-Europe train route to reach its destination. The length of the route is expected to be 25 to 27 days.

When the train stops at Liège, the containers will be unloaded and sent by trucks to their final destination, the Port of Rotterdam in Netherlands. Currently, VNR is providing freight train services between Vietnam and China, with additional routes to Russia, Europe, Southeast Asia and Central Asia.

The expansion of the freight system comes at a time when Vietnam's ports, like those in many areas worldwide, are congested due to high traffic and demand. But Vietnam's shipping yards are now also dealing with a serious Covid-19 outbreak, with the Vietnamese government directing all non-essential businesses to close on Friday, July 16 as the country's southern provinces seek to contain the spread of the virus.

Two days later, Ho Chi Minh City and 19 other cities and provinces extended lockdowns.

Saigon Newport (SNP), which operates inner-city river terminal Tan Cang Cat Lai in Ho Chi Minh City, said in a statement that the outbreak had "heavily disrupted" manufacturing operations.

"[This] has created a negative impact on Tan Cang Cat Lai terminal's operations and there is high risk of backlogs due to slow pickup or release of import containers," SNP said.

The pandemic has extended to the country's factory system, with suppliers for both Nike and Adidas shuttering factory production earlier this month, while Crocs expects temporary factory closures in Vietnam in its third quarter. A report from business publication Nikkei Asia even said that some Vietnamese factories have set up Covid-19 "bubbles" that require staff to sleep over during the lockdowns so they won't shut down.

With these bottlenecks hampering the manufacturing and flow of goods out of Vietnam, an alternative transportation route for already finished goods would be welcomed by brands, especially if they have operations in Europe.

VNR, the state-owned operator of the country's railroad system, said the Hanoi-to-Liège transport is the first container freight train operated by member unit Rail Transport and Trade Joint Stock Company (Ratraco) in conjunction with foreign logistics companies to oversee shipments to the target destination.

Currently, Ratraco and its European partner plan to organize eight trips per month departing from Vietnam. A second train will depart from Yen Vien station on July 27 carrying electronic products, while a third departure is scheduled for August 3.

Nguyen Hoang Thanh, deputy director-general of Ratraco, told the Vietnam News Agency (VNA) that a successful run of the train from Vietnam to Belgium will open up rail transport routes going deeper into Europe, in addition to the existing ones to Germany and Poland.

Legislators in Vietnam also seek to increase the nation's manufacturing capacity and spur economic growth, so government intervention appears to be the inevitable route toward building more infrastructure.

Prior to the recent outbreak starting in late April, Vietnam had shown that its manufacturing operations have plenty to build on. Exports in the first half of 2021 rose 28.4 percent from a year earlier to $157.63 billion, while industrial production increased 9.3 percent, according to the government's General Statistics Office.

But now Vietnam's Transport Ministry is calling for $10.4 billion to be spent on upgrading its national rail network through 2030, offering the prospect of linking Europe with other key hubs including Ho Chi Minh City.

The Ministry has submitted a draft plan on railway development up to 2030 to Vietnam's Prime Minister for approval. It aims to raise the sector's global market share to 0.27 percent in cargo transportation and 4.4 percent in passenger transportation by 2030. The volume of cargo will reach 11.8 million metric tons by 2030, up 2.3X over 2019's figure.

To achieve this goal, the national railway network would be extended to 16 routes. The number includes seven existing routes and nine new lines, with the existing routes all being upgraded to meet domestic transport demand.

The $10.4 billion proposal is part of a larger transport infrastructure plan from the Ministry's Transport Development and Strategy Institute, which could cost anywhere between $43 billion and $65 billion through 2030.

Under the larger plan, Vietnam will build thousands of kilometers of new expressways, high-speed rail routes, deepwater ports and new international airports. The government hopes Vietnam can achieve a cargo transportation capacity of 4.4 billion metric tons per year.

Source: sourcingjournal.com– July 24, 2021

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Maintaining production chains crucial for Vietnam

In the first six months of the year, exports increased by 29 per cent and orders were rising thanks to the recoveries of the US and China markets, as well as tax incentives from the EU due to the EVFTA agreement, said Nguyen Xuan Thanh, manager of the Fulbright Economics Teaching Programme.

Thanh took part in an online conference hosted by e-newspaper cafef.vn yesterday with other experts to discuss solutions for the economy in the ongoing fourth wave of the pandemic.

“The remarkable increase is due to the demand for Vietnam's exports from major markets,” he said.

Thanh said Vietnam was benefitting thanks to the continuing punitive tariffs on China from the Biden administration, whose economic stimulus packages increased the country's purchasing power, especially for goods such as office equipment, furniture, textiles and shoes.

He added though the EU market was still weak, the EVFTA has come into effect, helping Vietnam's seafood, textile and footwear products to the EU to enjoy preferential treatment, helping increase exports to the EU.

Seeing the opportunities, especially in the context that big competitors like India and Indonesia were in a very complicated situation, Thanh said: “If we successfully control the pandemic in the third quarter, and business activities return to normal, it will be different immediately.”

He said the current growth driver was industrial production for export, so “it is important for workers in large industrial zones to remain safe.”

He added: “It is also necessary to ensure the production of essential goods for the domestic market, and to ensure that the supply chain is not interrupted.”

Do Quynh Chi, of the Research Centre for Employment Relations, told the conference that though there were lots of orders for seasonal goods such as fashion products like shoes and clothes, they required very strict delivery time or would incur penalties, adding that: “It is very difficult for many producers to complete orders to deliver to customers on time.”

Chi appreciated factories in Bac Giang and Bac Ninh for their positive control of the pandemic and said producers should negotiate with customers about reasonable times to complete orders.

Chi mentioned lessons from 2020 when Bangladesh, China and Vietnam united to ask brands in the EU to share risks with manufacturers and requested them to accept delayed delivery during the pandemic.

“We should not only look at the impact of the pandemic in Vietnam, but should expand internationally. Because Vietnam is part of the global supply chain, we need to take a different look and give a common voice to brands. If we make an offer to share between brands and suppliers in Vietnam, it will be a great support for them to recover from the pandemic,” she added.

Chairman of Thien Minh Group and Chairman of the National Tourism Advisory Board (TAB), Tran Trong Kien put his hopes on a vaccine solution, saying: “I am confident that thanks to the vaccine, we will open our doors.”

Kien said if Vietnam took action as soon as possible and could vaccinate 70 per cent of the population as planned by year-end, the country could return to normal.

Kien said though the local economy was not that dependent on tourism like Thailand, where the sector contributes about 9.2 per cent to GDP, the industry still supported trade, investment and other activities.

Though many international and domestic research organisations have changed their forecasts for Viet Nam's economic growth in 2021, with worse results than the more optimistic forecast of 6.5 per cent, Thanh from Fulbright said: “The forecasted numbers at this time are not of much significance.”

He said: “The dual goal of maintaining economic activities and safety is more important,” adding: “Growth also depends on the pandemic – if we successfully control it in the third quarter, and business activities return to normal, it will be different immediately.”

Thanh forecast the most positive scenario in the last six months of the year was when the government could fulfil a vaccine commitment of about 150 million doses for local people with priority injections for industrial zones and tourist centres by year-end and reaching 70 per cent of the population vaccinated by mid-2022, Vietnam could fight the pandemic and maintain production activities for export.

According to the General Department of Vietnam Customs, in the first six months of 2021, the total export value of the country reached US$158.34 billion, an increase of $35.57 billion, or 29 per cent over the same period in 2020.

Source: vietnamnet.vn– July 24, 2021

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Peru's CPTPP ratification likely to boost trade with Vietnam

Peru's official ratification of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) is likely to boost trade between Vietnam and the South American nation. Vietnamese goods will have more scope to penetrate the Peruvian market in future with the ratification. Trade between both sides increased from $284.96 million in 2014 to $422.73 million in 2019.

Last year, the value stood at only $391.17 million due to the impact of the COVID-19 pandemic. However, bilateral trade grew strongly in the first half of this year to reach $278.27 million, up by 78.7 per cent year on year.

According to the Vietnamese ministry of industry and trade, Peru has joined most of international and regional institutions and signed 27 free trade agreements.

Vietnam's major exports to Peru include phones and electronic components, computers and electronics, footwear, clinker and cement, garments-textiles and aquatic products. Meanwhile, Peru ships fish powder, antimony and minerals to the Southeast Asian nation.

Peru has been viewed as a potential market that matches Vietnamese firms' capacity and scale as up to 75 per cent of Peruvian export and import companies are small and medium ones, according to a report by a Vietnamese news agency.

Peru has committed to removing up to 81 per cent of tax lines right after the CPTPP comes into force, and 99.4 per cent of tax lines in the 17th year after the deal takes effect.

The Peruvian Congress recently ratified the CPTPP, which was signed in March 2018, becoming the eighth member country to ratify the deal.

It will officially take effect in Peru 60 days after the country completes the registration of the ratification with New Zealand, the depository for the TPP.

Source: fibre2fashion.com– July 23, 2021

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Increased production reflects on VSF as imports drop

Despite Viscose Staple Fiber (VSF) production being more expensive than the production of Viscose Filament Yarn (VFY), global VSF production increased from 342 million kg in 2015-16 to 578 million kg in 2019-20. As per a Textile Value Chain report, this led to a decline in VSF imports by major countries.

China leads in VSF imports drop

China's VSF imports declined 33 per cent to 150,000 tons in 2020 from 226,000 tons in 2019. VSF imports by Germany too fell by 18 per cent from 55,000 tons in 2019 to 45,000 tons in 2020. Indonesia's imports dropped from 53,000 tons in 2019 to 36,000 tons in 2020 similarly Vietnam's imports fell by 10,000 tons to 57,000 tonne.

India's imports too fell from 63,000 tons in 2019 to 57,000 tons in 2020. On the other hand, VSF imports by the United States' increased from 83,000 tons in 2019 to 103,000 tons in 2020. Bangladesh too recorded a rise in imports by 60.97 per cent to 99,000 tons up from 49,000 tons in 2019. Singapore's imports increased to 98,000 tons in 2020. Global VSF exports up 8.11 per cent

In 2020, global VSF exports increased 8.11 per cent and China emerged the largest VSF exporter, with an annual growth rate of 4.06 per cent. China's VSF exports increased from 360,000 tons in 2019 to 375,000 tons in 2020. World's second largest VSF exporter in 2020 was Indonesia with 342,000 tons exports in 2020, a few thousand tons lower than 2019 figures.

Singapore's VSF exports touched 112,000 tons in 2020, which outpaced Thailand's exports by 1,000 tons. Thailand's exports increased 12,000 tons from previous year while Germany's exports increased 28.47 per cent,from 43,000 tons in 2019 to 55,000 tons in 2020. Sri Lanka too recorded a rise in exports from 2,000 tons in 2019 to 8,000 tons in 2020 while Malaysia's exports increased 228.57 per cent in 2020.

Meanwhile, India's VSF exports declined 12.17 per cent to 66,000 tons in 2020. Taiwan's export decreased almost 51.34 per cent from 45,000 tons in 2019 to 21,000 tons in 2020. Japan's exports decreased from 13,000 tons in 2019 to 9,000 tons in 2020. Spain's exports fell from 9,000 tons to 4,000 tons in 2020.

Shipment sees a drop

Global VFY exports decreased to 96,000 tons in 2020 from 119,000 tons in 2019. Shipments by the largest exporter China decreased from 85,000tons in 2019 to 71,000 tons.

Czech Republic's exports declined by 2,000 tons to reach 7,000 tons while. Exports by the world's fourth largest exporter Poland too recorded a sharp drop. India's exports dwindled from 9,219 tons in 2019 to 6,066 tons in 2020.

Source: fashionatingworld.com– July 23, 2021

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Over 700 visitors attend second edition of Texworld Evolution Paris

The second edition of Texworld Evolution Paris Showroom was attended by over 700 visitors from 34 countries. These visitors were able to discover over 7,000 products and textile samples from 150 international companies.

Around 75 per cent of these visitors were from France, Spain, Belgium, the Netherlands and Germany. Exhibits of the major global sourcing zones, was presented this year in two distinct locations: the 5 rue du Mail brought together the fabric trend forum for the autumn-winter 2022-2023 collections as well as a selection of finished garments; the Atelier Richelieu, on two levels, expressed the rich array of fabric, garment and accessory collections by exhibitors from some fifteen countries, with also an Apparel Sourcing trend section.

Manufacturers' representatives present in the Showroom were able to interact with the visitors including weavers from Korea, Turkey, Holland and Germany, and clothing, agents and finished product manufacturers from Poland, Vietnam, China, Bangladesh, Portugal and Madagascar.

Source: fashionatingworld.com– July 23, 2021

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Iran: Apparel Exports Increase by 91% to Over $110m in Fiscal 2020-21

A total of $113 million worth of clothes were exported from Iran in the fiscal 2020-21, registering a 91.5% growth compared with $59 million in the previous year, according to the director general of Textile and Clothing Department of the Ministry of Industries, Mining and Trade.

Iraq, Afghanistan, Central Asian countries and Persian Gulf littoral states were the main export destinations.

"In the fiscal 2019-20, we saw a 20% increase in production compared with the fiscal 2018-19 and a 25% increase in the fiscal 2020-21 year-on-year," Afsaneh Mehrabi was also quoted as saying by IRNA.

Source: financialtribune.com– July 25, 2021

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Bangladesh: RMG owners to seek stimulus from govt again

Owners of the export-oriented readymade garment industry will approach the government for a stimulus package yet again after the on-going 'strictest restrictions' are lifted.

This was stated in the letter written by AKM Salim Osman, president of BKMEA, the apex body of the knit garments industry owners, calling upon the members to keep their factories shut during the 14 days of restrictions enforced by the government after Eid to curb the spread of coronavirus. The letter appeared on the association's website on Saturday.

The BKMEA president Salim Osman, in his letter to the members, said that the government is aware of the difficult time through which the industry was passing. He said that once the on-going restrictions were lifted, an appeal would be made to the prime minister for a stimulus package again. He said he believed that, as in the past, the prime minister would extend her cooperation in the future too.

In the start of the letter the BKMEA president said, the present variant of corona is lethal. That is why the government, in consultation with WHO, decided to enforce strict restrictions from 23 July to 5 August. The factories were not exempt from this. Banking and port-related services for imports and exports were functioning on a limited scale.

Despite the financial losses involved, these restrictions must be followed to protect the people from the pandemic. This 14-day restrictions will affect the export plans, but this sacrifice had to be made to carry out business in corona-free conditions in the future. He requested the factory owners to follow the government's restrictions and not to seek advice from any third party.

The BKMEA vice president Mohammad Hatem, speaking to Prothom Alo, said, "We had given a letter on 15 July to the prime minister through the cabinet secretary requesting that the factories be kept open during the restrictions. We explained all our points. As soon as the restrictions are lifted we will have to pay wages for July. But most of the factories will be facing a financial crisis as exports could not be made. That is why the government must take a decision for the stimulus package from beforehand."

In March last year, due to coronavirus, work orders were cancelled and suspended, one after the other. The garment factory owners were alarmed and the government accordingly announced a Tk 50 billion (Tk 5000 crore) stimulus package to pay wages for three months – April, May and June. Service charges on these loans were 2 per cent. The garment industry owners then demanded loans for yet another month's wages. The government acquiesced. The fund was expanded to Tk 91.88 billion (Tk 9188 crore). However, interest on the loan for the fourth month's wages would be 4 per cent. The government subsidised the rest.

Though the package was declared for the workers and employees of export-oriented industries, most of the loans were taken by 1800 owners of readymade garment factories. The loan had a six-month grace period. However, towards the end of last year, BGMEA and BKMEA demanded that the grace period be extended. The government heeded to their demand once again. The finance ministry in the last week of February instructed the Bangladesh Bank governor to extend the grace period to repay the loan from the stimulus package by another six months from 1 March. So the installments of the loan are due to be paid from September.

In June, BGMEA president Faruque Hassan and BKMEA president Salim Osman had jointly appealed to the finance minister to extend the period to repay the loan till December. They wanted this facility so as to keep the export oriented garment and textile sector business running and the workers employed.
This year the government had imposed restrictions in April to tackle the second wave of coronavirus, but the export oriented industries, including RMG, could continue operations. The factories even remained open during the limited restrictions starting from 28 June and later the strict restrictions from 1 to 14 July.

However, all industries have remained closed since the strictest restrictions starting 23 July. Despite efforts and lobbying by five organisations including BGMEA, BKMEA and BTMA to remain open, the government did not relent. However, the tannery, pharmaceutical and food processing industries remain outside of the restrictions.

Source: en.prothomalo.com– July 25, 2021

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Bangladesh eyes investing in synthetic fibre as global demand rises

Apparel exporters say synthetic fibre is the future of the export-oriented garment sector

As the demand for synthetic fibre keeps growing in the international market, Bangladesh is also eyeing more investments in the material to boost garment exports.

Apparel exporters say synthetic fibre is the future of the export-oriented garment sector as most reputed brands and consumers are leaning towards man-made and recycled fibre to achieve sustainability.

Over the next few years, many well-known brands may even stop buying apparels produced from non-recyclable material, they added.

And the gradual rise in import of synthetic fibre over the last few years indicates that Bangladeshi apparel manufacturers are responding to the global demand.

According to the Bangladesh Textile Mills Association (BTMA), local spinners imported 99,345 tonnes of polyester staple fibre (PSF) in 2020 even amid the pandemic, up 3.4% from 96,077 tonnes the previous year.

Currently, 40 spinning mills import PSF fibre to make yarns for producing high-end garments such as sportswear.

The import of viscose staple fibre (VSF) also soared last year as spinners imported 72,504 tonnes of VSF — a 36% year-on-year increase — according to the BTMA.

Moreover, entrepreneurs of the country's textile sector are also investing in the production of synthetic fibre and clothes.

According to the BTMA, about 80 textile mills are currently producing various types of synthetic yarns and fabrics including polyester, VSF, tensile, and modal.

“The number was below 50 in 2016 and several new textile mills will go into production of synthetic fibre within two or three years,” said Fazlul Hoque, vice president of the BTMA.

Bangladesh has the potential to pivot to the production of synthetic fibre-based textile and apparel to realize greater per unit values, he added.

“The investment in the synthetic fibre sector of our country is growing as buyers are choosing the fabric as a substitute to cotton fibre for sustainability and environmental issues,” said Md Khorshed Alam, chairman of Little Star Spinning Limited.

The use of man-made fibre has increased because of higher production of value-added garment items, he further said.

Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), recently wrote in an opinion piece for Dhaka Tribune: “To ensure sustained growth, diversification is key. There is a need to create an enabling environment and incentivize investors to encourage investment in non-cotton garment and textile productions.”

The usage of man-made fibre in end-use categories like sportswear, leisurewear, women’s dresses, home textile, automotive, carpets and other industrial sectors also make it an ideal “fibre of the future,” say industry insiders.

But the response to adopting synthetic fibre-based apparel production has been slow so far.

Though Bangladesh has emerged as one of the leading apparel suppliers in the last few decades, its man-made apparel exports are much lower than competing countries.

According to the International Textile Manufacturer Federation (ITMF), synthetic fibre makes up 78% of the world's clothing where the remaining 22% is made of cotton fibre.

However, garment exports from Bangladesh constitute 70% of natural cotton apparels, with only 30% made of synthetic fibre, according to ITMF data.

Furthermore, the global man-made apparel trade stood at around $179 billion in 2019 where Bangladesh held only 5% market share.

For context, competing Vietnam held 10% of the man-made apparel trade.

BTMA Vice President Fazlul Hoque said Bangladesh is lagging behind in the sector mainly due to the lack of technology.

The textile manufacturers' association also said that they need to strengthen the connectivity for synthetic fibre and need policy support.

Earlier, BTMA President Mohammad Ali Khokon had said the import of man-made fibre needs to be duty-free like cotton as the demand for yarn is increasing.

The imposition of 5% VAT on the sales of yarn is discouraging for the sector, he added.

In response to the growing global demand, the BGMEA had also demanded a 10% cash incentive for man-made fibre-based products in the current fiscal year.

Their expectation was that with the help of the existing factories, they would be able to export an additional $2 billion worth of garments.

However, that demand also ultimately went unaddressed.

Source: dhakatribune.com– July 25, 2021

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Pakistan: Cotton market remains stable amid low trading volume

The local cotton market remained stable amid a lower trading volume. Trading activities hopefully will be fully resumed from Monday. The cotton rate remained between Rs12500 to Rs12800 per maund. In Punjab, rates were between Rs13200 to Rs13500 per maund.

Phutti in Sindh was in between Rs4700 to Rs5400 per 40 kg while in Punjab it was in between Rs5200 to Rs5700 per 40 kg. The rate of Banola in Sindh was between Rs1500 to Rs1700 per maund while the same in Punjab was between Rs1700 to Rs1900 per maund. Cotton in Balochistan was sold at Rs12900-13000 per maund.

The rate of Phutti in Balochistan was Rs5200 to Rs5700 per maund. The prime minister has been urged to set up an autonomous cotton control board under his own (PM's) supervision in order to achieve the target of production of 20 million cotton bales and in order to save ginning industry from closure.

The country's textile and clothing exports grew by 22.94 percent in the current financial year compared to the same period in the previous year, shows data released by the Pakistan Bureau of Statistics. Pakistan's total textile and clothing exports during 2020-21 grew to $15.4bn against $12.526bn of the previous year.

Source: dailytimes.com.pk– July 25, 2021

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Pakistan: 25 textile firms contribute 21pc to $25bn exports

The top 25 textile companies have alone contributed over $5.361 billion, or 21 per cent, to the country's overall exports of $25bn in 2020-21.

"It is a matter of great pleasure that the exports of the textile sector alone soared by 19.23pc to $15.5bn in 2020-21 compared to $13bn the preceding year," Aptma (North Zone) Chairman Abdul Rahim Nasir told Dawn on Friday. "It is really unprecedented," he added.

According to a list shared by trade bodies, Style Textile (Pvt) Ltd exports remained $428.76 million in 2020-21, followed by Interloop Ltd with $331.54m, Artistic Milliners (Pvt) Ltd $329.63m, Yunus Textile Mills Ltd $311.92m, Nishat Mills Ltd $307.32m, Gul Ahmad Textile Mills Ltd $284.25m, Feroze 1888 Mills Ltd $273.04m, Soorty Enterprises Ltd $268.14m, Artistic Fabric & Garment Industries (Pvt) Ltd-$226.42m, Liberty Mills $216.33m, Masood Textile Mills Ltd $213.05m, Sadaqat Ltd $209.22m, US Apparel & Textiles Ltd $197.50m, Al-Karam Textile Mills Ltd $185.25m, Nishat (Chunian) Ltd $169.70m, Novatex Ltd $167.49m, Lucky Textile Mills Ltd $165.79m, Garibsons Ltd $165.65m, Denim Clothing Company $148.58m, Klash Ltd $139.16m, Sapphire Finishing Mills Ltd $137.35m, Gohar Textile Mills Ltd $126.78m, Kamal Ltd $125.75m, Riaz Textile Mills Ltd $121.09m and Sapphire Fibres Ltd $111.87m.

He said keeping in view the rapid expansion in the textile exports owing to increasing investments, Aptma has decided to take all those textile exports companies making $40m to 50m per annum to achieve the figure of $100m each. "If we succeed in doing so, our textile exports alone may jump from $15.5bn to $25bn in next couple of years," he added.

He said the outstanding export performance of the textile sector is a very good omen for the country's economy.

Source: dawn.com– July 24, 2021

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NATIONAL NEWS

"There is a new energy in our startups space. In just first 6 months of 2021, India has seen 15 more unicorns" - Shri Piyush Goyal

"There is a new energy in our startups space. In just first 6 months of 2021, India has been to see 15 more unicorns" This was said by Shri Piyush Goyal while addressing the Plenary Session of CII- Horasis India Meeting 2021 on India's Emerging Industry & Trade Architecture".

He stated that Indian startups are more than commercial success stories and they are key to India's transformation. Shri Goyal implored all to make 'Startup India' a symbol of "National Participation & National Consciousness"

He said that despite COVID-19 disruptions, there are clear indications of economic revival in India. Exports are going up and FDI inflows are highest. Indian industry is indeed on a growth path . The Minister said that highest ever merchandise have been logged for exports in a quarter (Q1 2021-22, $ 95 bn) in history of India (+18% than Q1 of 2019-20) . He added that in July (till 3rd week), exports $ 22.48 bn, +45.13% w.r.t. same period in 20-21, +25.42% w.r.t. 2019-20.

He further added that labour intensive and employment generating sector of Engineering goods has also registered growth of +33.70% in 3rd week of july w.r.t 20-21 & +51.2% w.r.t. same period in 2019-20. Shri Goyal said that India has broken into the top 10 list of Agri produce exporters (as per WTO report) .

It may be noted that with a positive momentum, India is working in mission mode to achieve target of $400 bn merchandise exports in 2021-22.

Shri Goyal said that Indian growth story is now being reflected across all the sectors from EoDB to Exports and from Startups to Services, India is taking giant leaps in each sector.

Addressing the plenary session, the Minister said that today, India is the preferred destination for Industry, Investment & Innovation. This situation has arisen as a result of consistent efforts to bring structural changes in last

7 years. Some of these key changes include large scale Digitisation, Modernisation, Simplification & Facilitation.

Shri Piyush Goyal added that growth centric reforms has enabled India to embark on a holistic economic transformation and as a result, India is growing with SPEED - Stability, Productivity, Enterprise, Entrepreneurship & Demand.

The Minister said that under PM, India has set itself upon the path to become “Aatmanirbhar Bharat” i.e. self-reliant & self-sufficient. Aatmanirbharta is the recipe for Rebuilding, Revitalising & building Resilience in the economy.

Shri Goyal noted that ‘Self Reliant India’ does not mean closing our doors to the world, on the contrary, it empowers us to engage with greater confidence & competitiveness.

Shri Goyal implored that Indian Industry must rest on strong foundations of Quality, Productivity & Economies of Scale. He said that under PM, India decided to revolutionise its manufacturing sector by bringing the PLI Scheme - to produce national manufacturing champions in each sector.

It may be noted that Centre has announced the PLI Schemes worth $26 bn covering 13 sectors in the 5 years. PLI scheme will transform India into a Powerhouse of Leading Industries in post COVID world.

Shri Goyal said that by focusing on our competitive & comparative advantage, to be a larger stakeholder in GVCs, India has become a trusted global business partner.

The Minister said that India endorses the concept of working towards ensuring a transparent, dependable & reliable supply chain and there is natural inclination among countries to partner with India. He said that India was expediting FTAs with major world economies.

Shri Piyush Goyal said that reciprocity & fairness is our mantra in negotiations by taking trade facilitation measures, today, India is changing Non-Tariff Barriers to No Trade Barriers and Indian trade is shifting from “Goods only” to “Goods, Services & Investments” along with job creation.

Speaking about the progress and opportunities in Textile sector, the Minister said that India's textile sector is one of the largest employers in India and is now poised to become the largest exporter as well.

Shri Goyal said that all stake holders of India's economic progress and participants in the session, should look for emerging short term and long-term growth opportunities.

Vaccines, pharma products, ICT-related goods & services etc are good possible areas of opportunities for immediate & short-term need exist. In long-term, areas like digitisation, clean energy & GVCs remain great areas of growth. Sectors like Agri, Textiles, Engineering goods, Electronics, Marine products, Shipping services etc also offer great opportunities forthe nation.

The Minister added that Government of India is standing strong with a resolve for "Building a strong India of Tomorrow"

Source: pib.gov.in– July 24, 2021

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Exports jump 45.13 per cent in first three weeks of July

Export of goods in the first three weeks of July 2021 have shot up by 45.13 per cent (year-on-year) to $22.48 billion, propelled by the petroleum, gems & jewellery and engineering goods sectors.

Excluding petroleum, oil and lubricants (POL), the export of all other goods increased by 34.11 per cent in the July 1-21 period, indicating that the spurt in shipments was not just on account of a rise in petroleum products.

Imports in the first three weeks of July 2021 posted a sharper increase of 64.82 per cent to $31.77 billion, according to weekly estimates released by the Commerce & Industry Ministry on Friday.

Imports, excluding petroleum, increased 53.79 per cent in the period, compared to the same period last year.

The Commerce Ministry has also compared exports in July 1-21, 2021, with exports in the same period of 2019-20 to indicate the increase that may not be attributable to the low base in 2020-21 due to the pandemic-induced slowdown.

Exports of goods in the first three weeks of July 2021 were 25.42 per cent higher than exports over the same period of 2019-20. Exports, excluding POL, were also 24.81 per cent higher over the same period of 2019-20.

India's goods exports in June 2021 increased 48.34 per cent (year-on-year) to $32.50 billion. In the April-June 2021 period, the cumulative value of exports was $95.39 billion, the highest ever merchandise exports in a quarter, posting an increase of 85.88 per cent (year-on-year).
Exports will need to keep up the growth momentum in the entire fiscal year to achieve the target of $400 billion set by the government for 2021-22.

Exports declined by 7.26 per cent to $290.63 billion in the fiscal year April-March 2021 as Covid-19 disruptions slowed down production and demand worldwide.

Source: thehindubusinessline.com – July 24, 2021

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India will continue to attract high foreign investments: Goyal

Commerce and Industry Minister Piyush Goyal on Saturday expressed confidence that India will continue to attract high foreign direct investment (FDIs) in the current financial year. He said India has received highest ever FDI in the Covid-impacted 2020, in contrast with a shrinkage in investment inflows globally.

In 2020-21, FDI into the country grew by 19 per cent to USD 59.63 billion. Total FDI, including equity, re-invested earnings and capital, rose 10 per cent to USD 81.72 billion during 2020-21 as against USD 74.39 billion in 2019-20.

“This year, we are very confident that we will continue this streak of seven continuous years of historic highs in our foreign investments,” Goyal said at the CII-Horasis India Meeting webinar.

Similarly, he said, India’s exports too are recording healthy growth and would reach USD 400 billion by the end of the current financial year.

During July 1-21, export crossed USD 22 billion and it is “poised to cross USD 32-33 billion by end of the month (July), which means our run rate is on track to achieve USD 400 billion of exports target for the first time ever”. Further, he said that currently India is in talks with 16 countries including the UK, the EU, Australia, Canada, and the UAE for trade agreements.

With some countries, India is working for early harvest agreements which will allow the country to quickly identify areas of mutual interest and progress negotiations faster towards a comprehensive economic partnership agreement, or FTAs, the minister said.

“We have focused our efforts on a few very promising agreements where I can clearly see huge comparative advantages for India to get market access and the ability to trade both in goods and services in a much bigger way. The UK, EU, Australia, Canada, UAE are countries with whom we can very quickly expand our discussions and engagements,” he added.

India has inked FTAs with several countries, including Japan, South Korea, Singapore, and ASEAN members.

Under such agreements, two trading partners significantly reduce or eliminate import/customs duties on the maximum number of goods traded between them.

Talking about vaccination, he said the government had permitted the private sector to procure 25 per cent of Covid-19 vaccines but they are not buying.

"CII should take a lead and get all of you to ensure that you take that 25 per cent vaccines... Some industry group said we will do one crore vaccinations...Nobody has gone to Bihar, North East, Jharkhand to run campaigns to remove vaccine hesitancy," he said.

Source: financialexpress.com– July 24, 2021

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Customs brokers: CBIC abolishes renewals of licences/registrations

Also licensee/registration holder can voluntarily come forward to surrender his license/registration if s/he wishes

The Central Board of Indirect Taxes and Customs (CBIC) has abolished the requirement of periodic renewals of Licence/Registration issued to Customs Brokers and Authorised Carriers. This would greatly help reduce the compliance burden cast on the trade, which had to otherwise make application and submit numerous documents to renew their licenses/registrations, an official release said.

The net effect of the amendments carried out to the Customs Brokers Licensing Regulations, 2018 and Sea Cargo Manifest and Transhipment Regulations, 2018, is that the existing licenses/registration would have a lifetime validity, the release added. Another change that has been introduced is to allow a licensee/registration holder to voluntarily come forward to surrender his license/registration if s/he wishes. Also, a provision has been made to invalidate licences/registrations that are inactive for more than a year.

These steps would prevent misuse of dormant licences/registrations by unscrupulous person who misdeclare import or export or wrongly obtain export refunds/incentives and when caught, put the burden on the original license/registration holder. At the same time, the interest of the genuine trade is safeguarded by empowering the Commissioners of Customs to revalidate the licence/registration in case the inactivity is for genuine reasons, the release added.

The life-long validity of licenses/registrations is expected to provide a major relief to the trade by reducing their compliance burden and promoting the Ease of Doing Business in India. Removing the requirement of seeking periodic renewals also reduces interface between the Customs and the trade, which is a deliverable of the CBIC's 'Contactless Customs' initiative, a critical component of its flagship Turant Customs programme, release added.

Source: thehindubusinessline.com– July 25, 2021

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Pre-packs for MSMEs: FM likely to introduce Insolvency Amendment Bill in LS on July 26

Bill to replace ordinance issued in April

Finance Minister Nirmala Sitharaman is likely to introduce a Bill in Lok Sabha on Monday to provide statutory backing to pre-packaged insolvency resolution process (pre-pack) regime for companies classified as micro, small and medium enterprises (MSMEs).

This Bill – Insolvency and Bankruptcy Code (amendment) Bill 2021 – once passed by Parliament will replace an ordinance that the Centre had promulgated in April this year for the introduction of pre-packaged insolvency for MSMEs.

India has about 6-7 lakh companies that are classified as MSMEs, and theycould benefit from the newly introduced pre-packaged insolvency framework.

The objective of introducing pre-pack for MSMEs is that it is a cost-effective mechanism and quickens the process for resolution of MSMEs.

A pre-packaged insolvency – in the Indian framework context – is an arrangement where the resolution of a company's business is negotiated with a buyer before the appointment of an insolvency professional. It is a blend of informal and formal mechanisms, with the informal process stretching upto NCLT admission, followed by the existing NCLT supervised process for resolution as specified under the Insolvency and Bankruptcy Code (IBC).

Pre-packs are seen to be a viable alternative to the current corporate insolvency process, and will be significantly less time-consuming and inexpensive against the formal insolvency proceedings.

MSMEs first

The government had deemed it fit to first introduce pre-packs for MSMEs as they are critical for India's economy and contribute significantly to the country's gross domestic product, besides providing employment to a sizeable population.

Also, MSMEs have relatively suffered most during the current pandemic times, and with threshold of debt default at ₹1 crore now under IBC, most of them are out of this range.

The Centre has notified at ₹10 lakh the minimum debt default threshold for MSMEs for which pre-packaged insolvency resolution process could be used. The ordinance specifies maximum time period of 120 days from the pre-packaged insolvency commencement date by when the pre-pack process should be completed.

Debtor in possession model

The framework introduced through the ordinance was an experiment of sorts and different in some ways from the normal Corporate Insolvency Resolution Process (CIRP). Unlike CIRP, this pre-pack framework for MSMEs is a debtor in possession and creditor in control model.

In the case of normal CIRP, it was the resolution professional in possession and creditor in control. In the pre-pack for MSMEs, the debtor will continue to control and run the enterprise till resolution happens. In normal CIRP, the Resolution Professional comes in and takes over on the day of the admission itself.

Source: thehindubusinessline.com– July 25, 2021

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No plan to implement rating system for MSMEs, says MSME Minister Narayan Rane

Even as former MSME Minister Nitin Gadkari had called for the creation of a rating system for micro, small, and medium enterprises (MSMEs), the plan doesn't seem to be afoot. The new MSME Minister Narayan Rane had recently said in the Lok Sabha that there is "no" plan by the government to implement a rating system for MSMEs.

Back in November 2019, Gadkari had announced that the government is in the process of launching 'Digital data-based credit ratings' for MSMEs to enable them to get bank loans on the basis of the ratings. For MSMEs with AAA rating, the government was expected to buy 15 per cent of the amount raised by them from public markets as equity stakes. The move was intended to encourage MSMEs to raise money from public markets.

Last year in May as well, Gadkari reiterated the need for the credit rating system. The minister had sought ideas for "an IT-based analysis system for rating of MSMEs to bring transparency and have result-oriented and time-bound processes." Gadkari was addressing a webinar with the representatives of Chamber of Indian Micro, Small and Medium Enterprises and the Institute of Cost Accountants of India on Covid impact on MSMEs.

He had again called for the rating system last month and a dashboard for effective monitoring of MSME schemes. Addressing a webinar by the Chamber of Indian MSME (CIMSME), the minister had said the whole world now wants to invest in Indian industry and with an effective rating system, MSMEs can get good investment from abroad.

Importantly, in order to support Covid-hit MSMEs, RBI had announced resolution frameworks 1.0 last year and 2.0 in May this year for loan restructuring even as MSME loan accounts restructured by the public sector banks (PSBs) grew 2.1X in the nearly one-and-a-half-year period.

From 6,19,562 accounts involving Rs 22,650 crore restructured as of January 31, 2020, 13.06 lakh accounts with an aggregate amount of Rs 55,333 crore were restructured as of June 26, 2021, Rane had said in reply to a question in the Lok Sabha on Thursday. The last year's data was shared by former Finance Ministry MoS Anurag Thakur in the Rajya Sabha in March 2020.

However, despite restructuring, the stress in PSBs' MSME portfolio remained high with the NPA rate at 15.9 per cent as of March 2021 in comparison to 13.1 per cent as of December 2020 even as it was down from 18.2 per cent as of March 2020.

RBI had asked banks for close monitoring of asset quality of MSME and retail portfolios. Meanwhile, gross bank credit deployed in micro and small enterprises in May 2021 stood at Rs 10.27 lakh crore from from Rs 10.65 lakh crore as of May 2020 – witnessing a negative year-on-year growth of 3.6 per cent, according to the RBI's data.

Source: financialexpress.com– July 25, 2021

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Lower Barriers: India's tariffs record sharp drop from 17.6% in 2019 to 15% in 2020

In a break from the recent past, India's average applied import tariff dropped to 15% in 2020 from as high as 17.6% in the previous year, recording the sharpest annual fall in about a decade and a half.

This reflects a partial reversal of duty hikes that had marked India's sustained push for import substitution through self-reliance and its response to a spurt in trade protectionism in key economies – especially the US and China — in recent years. The tariff is still higher than the 2014 level of 13.5%.

Trade-weighted average tariff — total customs revenue as percentage of overall import value — also eased for a second straight year to 7% in 2019, the lowest since 2014 and compared with 10.3% in 2018, show the latest World Trade Organization (WTO) data.

However, as the government undertakes a comprehensive review of various customs duty exemptions this fiscal, in sync with a Budget announcement, this tariff fall may prove to be short-lived unless imposts on scores of products are trimmed as well.

While the applied tariff (simple average) on farm products eased to 34% in 2020 from 38.8% in the previous year, industrial tariff declined to 11.9% from 14.1%. Similarly, based on trade-weighted average, tariff on farm items dropped to 32.5% in 2019 from as high as 60.7% in the previous year, while industrial tariff dipped to 5.8% from 8%. These tariffs are meant for imports from countries to which India has accorded the most-favoured nation (MFN) status.

Last year, the government reduced customs duties on various products, including crude palm oil, precious metals like platinum and palladium, certain fuels, chemicals and plastics, select machinery and electronics items, sports goods and newsprint. Of course, the duties on certain products were raised as well.

India was branded "tariff king" by former US President Donald Trump, who had demanded that New Delhi slash duties on a broad range of products, even though the world's largest economy turned more protectionist under him.

In response, Indian officials have pointed out that New Delhi's applied tariffs are way below the permissible limit under the WTO framework, or the so-called bound rate (which was 50.8% in 2020). The trade-weighted average tariff is even lower than the simple average one (Washington highlights only the latter). Moreover, unlike other large economies, India hardly uses non-tariff barriers to crack down on imports it deems non-essential or sub-standard.

Following a surge in its crude oil import bill in 2018, New Delhi had targeted "non-essential imports" to curb pressure on its current account. It again resorted to increases in customs duties on scores of products in 2019 to prepare the way for its Aatmanirbhar initiative amid an escalating trade war between the US and China. These moves pushed up the applied tariff (simple average) sharply from 13.8% in 2017 to 17.1% in 2018 and 17.6% in 2019.

The proposed re-examination of the customs duty exemption is part of the broader effort to promote domestic manufacturing, which, in turn, is expected to curb imports and boost exports. A sustained drop in imports will also help the country lower its trade imbalance, which, some officials reckon, will not just ease pressure on its current account but boost its GDP growth as well.

Economists, however, have been critical of New Delhi's move to undermine liberalisation, achieved assiduously over the years since the 1990s.

Former vice-chairman of Niti Aayog Arvind Panagariya has cautioned that the duty hikes can be counter-productive. No major economy has grown 8-10% without opening up its market and India needs to bring down its industrial tariff to at most 10%, he has argued.

In a paper with Shoumitro Chatterjee last year, former chief economic advisor Arvind Subramanian said India was turning inward. "Domestic demand is assuming primacy over export-orientation and trade restrictions are increasing, reversing a 3-decade trend," the paper said. India still enjoys large export opportunities, especially in labour-intensive sectors such as clothing and footwear. "But exploiting these opportunities requires more openness and more global integration," the paper argued. Analysts have also pointed out duty hikes have been mostly unsuccessful in containing imports, especially from China.

Domestic industry, meanwhile, clamours for more protection, arguing that in the absence of credible structural reforms to bring down its costs (including costs of logistics, wage, electricity and credit) and provide it a level-playing field, allowing increased foreign competition is patently unfair. Reforms to boost competitiveness of the economy haven't been undertaken since liberalisation as they should have, it stresses. Bolstering competitiveness not just enables a country to improve its exports but also reduce costly imports.

As pointed out in a 2016 report by HSBC, India's domestic bottlenecks explain 50% of the slowdown in overall exports (remaining the biggest threat to its outbound shipments), followed by world growth (33%) andthe exchange rate (just 17%).

Source: financialexpress.com– July 26, 2021

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Taming rising freight rates

Can the government intervene in the matter of shooting shipping prices? On July 9, the US President Joe Biden signed a sweeping order directing the Federal Maritime Commission (FMC) to crack down on 'unjust and unreasonable fees' in the ocean shipping industry. This was due to spiralling freight levied by global shipping lines due to various surcharges, which, in turn, was hurting American trade.

Can the Indian government intervene and arrest the rising freight rates paid by the country's trade for moving cargo containers by sea? Given that shipping rates are market driven, it is not going to be that easy considering that shipping is dominated by global majors, according to multiple industry sources.

Trade in the pandemic

The Covid pandemic, followed by the Suez Canal blockage and suspension of operations at China's Yantian port affected the global container trade resulting in huge congestion at certain ports in US, Europe and China. This, in turn, caused a huge shortage of containers forcing lines to levy various surcharges to compensate the loss they incurred. This hit the trade badly. Pre-Covid, a 40-feet container freight rate for European Union was around \$1,800 but today it is over \$5,000. To the US, the freight has increased to \$11,500 as against \$4,000 due to the surcharges, said Tirupur Exporters' Association President Raja M Shanmugham.

The US President has warned of cartelization and decided to take stringent measures. India should also do the same, he said.

Desperate to meet the export commitments, the trade was forced to agree for unheard of freight rates with premium to ensure connectivity in time. The upward spiralling did not ease even after almost a year, said AV Vijayakumar of Paramount Shipping.

Some regulatory mechanism to control the undue advantage enjoyed by one link in the supply chain (sea mode) will help the trade holistically and avoid the unhealthy situation. It is unfortunate that such a system or mechanism is unavailable in India despite desperations expressed by the industry, he said.

The effectiveness of the Biden administration caution to FMC is yet to be tested. However, at least the shipping industry is warned of the disapproval of the US Government about the sufferings of exporters, said G Raghu Sankar of International Clearing & Shipping Agency (India) Private Limited.

The DG Shipping can be empowered to handle the situation including regulating, if not restricting the freight rates. While the argument could be that market forces will decide the rates, if all market forces are on one side and industry is on the other, there will be an imbalance with no recourse for the users, he added.

Boom-and-bust

Capt Kamal Chadha, Managing Director, The Marex Group, said shipping rates are cyclical in nature. By the time the government reacts and actually puts a system in place to control the freight rates, the market will most likely have taken a downward turn.

But the legacy of a new control system will have been established, which will later become a hurdle to the trade. In the long run, therefore, government interference, which is at best a myopic knee-jerk reaction, will prove detrimental to the trade and the carriers. Nobody stands to benefit from such controls, he said.

Capt Pankaj Kapoor, a maritime lawyer, says major shipping lines are offering multimodal (door-to-door) services. The government can enforce short-term measures like uniformity in port charges / Customs rules across the country and reduce the waiting period of containers in ports by quick clearances. This will send a message to the lines to cut transportation costs (freight) from origin to destination.

Even the FMC is mandated to bring about freight reduction through similar measures, he said.

Source: thehindubusinessline.com– July 25, 2021

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Ocean freight price range

Ocean Freight Price Range
from Nhava Sheva, Mundra, Hazira, Pipavav*

	20FT		40HC	
Trade lane	**Low**	**High**	**Low**	**High**
Adriatic Sea	3100	5700	4000	7600
Baltic Sea	3600	7000	4500	9100
Black Sea	3200	5800	5000	9100
Canada	7500	10800	9000	12100
Caribbean	8800	12200	8900	12900
Central America	10100	18100	12100	19900
East Africa	2600	5200	3500	6500
South America (East Coast)	5800	9300	6500	10700
East Mediterranean	3100	6200	3600	7700
Far East Asia	600	1200	1000	2000
Arabian Gulf and Middle East	1100	3800	1700	5000
Indian Ocean Islands	3600	5900	4300	6900
Indian Subcontinent	1500	3500	2300	4500
North Africa	3200	5700	4100	7400
North Europe	3400	6100	4400	8100
Oceanic Islands	2500	6600	5100	12200
Pacific Islands	3800	5500	7500	10400
Red Sea	2200	4300	3300	5000
Scandinavia	3600	6200	4500	7900
South Central Europe	3500	3800	4500	4600
South East Asia	700	1600	1100	2700
Southern Africa	2800	8100	3600	9600
USA (East Coast)	6800	9500	8600	11800
USA (West Coast)	10100	10200	12100	12100
West Africa	5400	10500	6100	13200
South America (West Coast)	9400	16200	10100	18500
West Mediterranean	3000	5100	3800	6400

*In USD (Excluding surcharges and local charges) Source: cogoport

Source: thehindubusinessline.com– July 25, 2021

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Truck rental rates

Truck Rental Rates		
Truck Route	Rentals (per round trip)	
Round trip	Rental	Rental
18 ton pay load	as on 27th	as on 23rd
	June	July
Delhi - Mumbai- Delhi	138000	139000
Delhi -Nagpur- Delhi	128000	128000
Delhi -Kolkata- Delhi	148500	148000
Delhi -Guwahati- Delhi	192500	185000
Delhi -Hyderabad- Delhi	162500	155000
Delhi -Chennai- Delhi	198000	195000
Delhi -Bengaluru- Delhi	182000	185000
Delhi -Ranchi- Delhi	123000	125000
Delhi -Raipur- Delhi	118500	110000
Delhi -Kandla- Delhi	98000	100000
Mumbai- Chennai-Mumbai	138500	140000
Ludhiana- Hyderabad -Ludhiana	175000	172000
Mumbai-Kolkata- Mumbai	182500	185000
Chennai- Ahmedabad- Chennai	168000	168000
Bengaluru- Kolkata- Bengaluru	158000	170000
Bengaluru- Mumbai- Bengaluru	92500	100000
Delhi - Thiruvananthapuram- Delhi	254000	255000
Guwahati- Mumbai- Guwahati	242500	255000
Nagpur-Chennai-Nagpur	122500	140000
Kolkata- Guwahati- Kolkata	118000	112000
Indore- Delhi- Indore	88000	92000
Ahmedabad- Indore-Ahmedabad	54000	52000
Vijayawada -Mumbai-Vijayawada	112500	108000
Vijayawada - Kolkata- vijayawada	118500	112000

*Figure in ₹ — Source: Shubham Logistics

Source: thehindubusinessline.com– July 25, 2021

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1,096 SEZ units register, 336 exit in last three years, says Goyal

No provision to grant additional fiscal incentives to SEZs at present

As many as 1,096 SEZ units were registered during the last three years in various SEZs across the country, while 336 units exited during the period.

"The reason of such winding of operations includes variations in international market conditions, slowdown of orders, merger of units and Covid-19 pandemic," Commerce & Industry Minister Piyush Goyal said in a written reply in the Rajya Sabha on Friday.

There is no provision to grant additional fiscal incentives at present to SEZs, the Minister clarified, stating that fiscal concessions and duty benefits allowed to SEZs are inbuilt into the SEZ Act, 2005.

Sunset clause

With the sunset clause on income tax exemptions for SEZ units becoming effective last year, the zones have been asking the government for new incentives to retain their attractiveness for investors.

Goyal said that SEZs set up under SEZ law had largely met their objectives in terms of performance in exports, investment and employment. Exports valued at ₹22,840 crore in 2005-06 had increased to ₹7,59,524 crore in 2020-21; investment of ₹4,035.51 crore in 2005-06 had increased to ₹6,17,499 crore (cumulative basis) by 2020-21 while employment provided to 1,34,704 persons in 2005-06 had increased to 23,58,136 persons (cumulative basis) in 2020-21, he said.

Source: thehindubusinessline.com– July 23, 2021

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Warp and weft

PLIs, along with mega parks, can transform viability of synthetic textiles

The proposed move to expand the scope of the performance linked incentive (PLI) for the textiles sector to cover intermediaries in the value chain is a welcome one. As per an earlier report in this newspaper (July 16), the Cabinet may consider lowering turnover and investment thresholds for obtaining PLI benefits, so that producers of filament yarn and fibre — besides makers of finished goods such as sweaters, garments, diapers and sanitary napkins — can avail of them.

Focusing on intermediates in the man-made fibre (MMF) value-chain is desirable because India's imports of synthetic yarn, basically from China, have been on the rise — not least due to disincentives to produce at home. While the imposition of anti-dumping duties on nylon filament yarn imports in March 2020 may have checked this trend, more steps are required. Anti-dumping duties on imports of viscose spun yarn from China, Vietnam and Indonesia can boost the MMF sector.

These moves, along with a reformed PLI, may help in the emergence of a composite value chain in MMFs — an area in which India has a potential advantage on account of its petrochemicals base. The PLI's focus on boosting output in 40 MMF lines and 10 technical textile lines, for which a sum of ₹10,683 crore has been earmarked, can correct India's value-chain weaknesses in the MMF sector. While India's textiles and clothing sector is geared towards cotton, world markets are driven by MMFs.

A transformation in textiles cannot come about through PLIs alone. India's fragmented textiles sector needs to promote clustering to reduce both fixed and working capital expenses. The creation of seven mega textile parks in three years, announced in the Budget, will help India realise a range of benefits — provided the government turns them into 'plug and play' set-ups as promised.

At present, the sector is hobbled by red-tapism with respect to clearance of GST dues (made worse by an inverted duty structure), reimbursement of taxes paid on exports and payment of dues under the Textiles Upgradation Fund (TUF) — an age-old scheme, now called Amended TUF, which seems to have been compromised by misuse. Indeed, the creation of large clusters — better organised with infrastructure than the 10 or so in existence in different parts of the country — can help phase out schemes such as TUF, besides clumsy tax exemptions and export subsidies, if any.

India's textiles and apparel sector is estimated to employ 4.5 crore workers directly. Endemic constraints need to be addressed for the sector's share in industry output to rise beyond current levels of about 7 per cent.

Source: thehindubusinessline.com– July 23, 2021

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Draft E-commerce Rules: Traders' body CAIT suggests changes to make proposed amendments 'more impactful'

Traders' body Confederation of All India Traders (CAIT) on Sunday suggested changes to amendments proposed by the government last month to Consumer Protection (E-commerce) Rules, 2020. While the amendments proposed are likely to make e-commerce marketplaces such as Amazon, Flipkart, and others more accountable for their business practices in the country that were alleged to be unfair by CAIT, the suggestions would make them "more impactful." In a letter to Anupam Mishra — Joint Secretary of Consumer Affairs ministry, CAIT said the draft rules will shatter the dreams of few companies to become a new version of East India Company and will bring an end to crony capitalism that exists in the current e-commerce landscape of India.

Among the suggestions made included, providing customer-care or toll-free call-center and email address of the company, total price in a single figure of any good or service along with the breakup showing all the compulsory and voluntary charges, charges payable by sellers for selling their goods on the platform and any other services provided by the e-commerce marketplace entity to be published on the website by e-commerce entity.

"Many e-commerce entities do not have any customer care/call center facility and consumers are unable to reach out to the company in case they need to e.g. in case of late delivery, defective products, after-sales service, cancellation, etc," CAIT said in the letter. E-commerce marketplaces currently provide a call-back option to customers on request.

CAIT also suggested e-commerce marketplaces should provide API-based access to all logistics service providers for quick integration with the platform so that sellers can choose their service provider in a transparent manner. "This will allow every third-party service provider to register on the e-commerce marketplace platform giving the consumers and the sellers the choice to choose from a wide range of service providers."

Further, no marketplace or logistics service provider should make any offers to a consumer or a class of consumers that is not uniformly applicable across all the sellers on the platform, the letter read. If a marketplace e-commerce entity is offering any discounts or incentives to consumers or sellers to promote itself, it must give such discounts on a non-discriminatory basis across all consumers or sellers, as the case may be. Moreover, CAIT said to ensure transparency and prevent cross-subsidization, no marketplace e-commerce entity shall be allowed to collect bundled fees from consumers for the services provided with respect to the e-commerce platform and any other service not related to the e-commerce platform provided by the e-commerce entity or its related parties or associate enterprise.

The Consumer Affairs Ministry had earlier this month extended the deadline for feedback from marketplaces and others in the e-commerce ecosystem to the draft rules from July 6 to July 21 after an extension was sought for sharing inputs. The Karnataka High Court on Friday had dismissed a petition by Amazon and Flipkart that challenged a probe by the Competition Commission of India against alleged anti-competitive practices.

Source: financialexpress.com– July 25, 2021

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India tops in trade facilitation among Asian countries, shows UNESCAP survey

Score jumps to 90.32% in latest survey from 78.49% in 2019

Finance Ministry said on Friday that India's score has risen significantlyin the United Nation's Global Survey on Digital and Sustainable Trade Facilitation.

"India has scored 90.32 per cent in United Nation's Economic and Social Commission for Asia Pacific's (UNESCAP) latest Global Survey on Digital and Sustainable Trade Facilitation. The survey hails this as a remarkable jump from 78.49 per cent in 2019," a statement by the ministry said. The report is published once in two years.

The survey has evaluated 143 economies in terms of trade facilitation reforms covering five indicators — transparency, formalities, institutional arrangement and cooperation, paperless trade and cross-border paperless trade.

Best performer

The survey noted that India is the best performing country when compared to South and South-West Asia region (63.12 per cent) and Asia-Pacific region (65.85 per cent). The overall score of India has also been found to be greater than many OECD countries including France, UK, Canada, Norway, Finland, etc and the overall score is greater than the average score of EU. India has achieved a 100 per cent score for the transparency index and 66 per cent in the "Women in trade" component.

Customs lauded

The statement mentioned Central Board of Indirect Taxes and Customs (CBIC) introduced reforms under the umbrella of 'Turant' Customs to usher in a faceless, paperless and contactless Customs. This has had a direct impact in terms of the improvement in the UNESCAP rankings on digital and sustainable trade facilitation. Further, "during the Covid-19 pandemic, Customs formations have made all efforts to expedite Covid-related imports such as oxygen-related equipments, life-saving medicines, vaccines, etc. A dedicated single window Covid-19 24/7 helpdesk for EXIM trade was created on the CBIC website to facilitate quick resolution of issue(s) faced by importers," the statement said.

M Ajit Kumar, Chairman, CBIC, said that the National Committee on Trade Facilitation (NCTF) headed by the Cabinet Secretary and housed by the CBIC has been overseeing many of the stated reforms and was the primary respondents in the survey. "This effort in improving facilitation levels is even greater as it has been achieved largely amidst pandemic," he said in his weekly newsletter to all officers and employees of CBIC.

Source: thehindubusinessline.com – July 23, 2021

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GST: End hibernation on dispute resolution

The adage "old is gold" is not necessarily true, and has exceptions. The same applies to the pre-GST indirect tax landscape of India. The long-queues of trucks at state-borders (with entry upon cascading and exorbitant entry taxes), the rampant tax evasion on inter-state characterisation of local sales, etc, and the incoherent and localised VAT policy, with cascading effect, rate-wars between states, etc, many ills marked the past. Hence, GST is a shining example of the present being better than the past.

Having said that, the foundations of a bright future do not rise on a stand-still present. In fact, more work is required, over the hard work already done. Unfortunately, time is not on the side of the policymakers. The expected buoyancy of GST collections is yet to be achieved, many distortionary taxes (like stamp duties and those on petroleum, electricity, stamp duties) continue. The clock is ticking, and it is now less than a year before the true contours of cooperative federalism, the idea on which GST is based, begin to get perceived. Some policy issues are identified here as requiring urgent action.

From July 1, 2022, states will be on their own, the cushion of GST compensation lapsing, given that there is no formal acceptance by the Centre—much less an amendment in law—to extend compensation timelines.

This is a far cry from last year's scenario, the entitlement with which the states cajoled the Centre to borrow on its own and compensate the states for Covid-led economic diminution. It is an open secret that the underlying objective of the five-year compensation window (allowing states to conclude capacity-building, officer-training, and other initiatives) has not materialided into self-sustaining economic realities for most states.

Why should it be a national concern if some states have chosen to ignore investments in capacity-building? The answer is clear. Vertical inequities amongst states result in dehyphenated policy-solutions with local issues superseding national developmental goals. Lop-sided and disjointed state interests imply a divided house, which is likely to result in frequent deadlocks in the GST Council. This will threaten the ability of this constitutional body to work. That GST Council should take immediate stock of such harsh realities can't, thus, be overemphasised.

This requires conceptualising and implementing macro-economic solutions to bridge the economic divide amongst states. However, that alone would not be enough. The GST Council can't rule out the possibility of a hung house. So far, it has worked with Group of Ministers (GoMs) to address differences among states. Whether it be the impasse on sugar cess, flood cess, or other issues, GoMs have performed satisfactorily. However, one cannot ignore the salient effect of the Centre compensating the states. With no such cushion around, disagreements with the states or their overt refusal to heed GST Council recommendations may turn out beyond the influence of Union finance minister's office.

An external intervention hinges upon guidelines for adjudication mechanism to address disputes amongst GST Council members owing to the constitutional stipulation for adjudication as the dispute resolution mechanism. It would be prudent for the Council to evolve the rules for adjudication in time, lest a solution on resolving disputes itself becomes dispute-ridden. It is notable that in absence of pre-defined adjudication mechanism, all political disputes may have to be tried as judicial ones by the constitutional courts.

Entrusting relatively junior officers with the responsibility to quell doubts of taxpayers does not appear to have yielded dividends for the GST Authority for Advance Ruling (AAR), a mechanism which was expected to impart certainty and obviate disputes. Even a two-tier machinery, with appeals against AAR being heard by senior tax officers, was found wanting in its objective of resolving inadequacies of AAR rulings. This led to creation of a third-institution—National Appellate Authority—to hear disputes arising from 'conflicting advance rulings'.

As on date, however, this forum is dysfunctional, with members yet to be appointed. Even otherwise, in most cases, the quality of AAR rulings has not been inspiring for taxpayers, often inviting interjection of the High Courts. There is urgent need for policy-makers to take stock. An ideal solution would be to replace the three-tier system with a single-tier AAR, like the ones recently-introduced for income tax and customs laws, with very senior officials determining request for advance ruling and working under appellate supervision of the High Courts.

GST tribunals have become a ping-pong in the apparent ego-clash between policy and law. Having to bear the brunt of adjudication owing to lack of tribunals, the Allahabad High Court and other High Courts have directed the policy-makers to urgently operationalise these. Almost parallelly, the

Madras High Court quashed the legal provisions relating to the tribunal, highlighting lack of independence of its members owing to restricted qualification of members. The GST Council has not yet acted on the judicial opinion. As a result, there is not a single GST tribunal despite rise in GST disputes, especially those arising from refund claims and goods-confiscation.

A recent guidance of the Supreme Court in the context of tribunals seems to vindicate the Madras High Court's observations. Thus, this can brook no further delay, even by pleading that the matter is sub-judice. Being without tribunals implies locking precious tax revenue in litigation, which is self-defeating for GST reform. Piling tax refund claims and resorting to criminal law measures for recovery with breakdown in adjudication mechanism needs urgent intervention and an overhaul.

There is no room for procrastination. Covid-induced lockdown can influence tax collection, but should not be a reason for policy-inactivity. One would hope that the mechanism to seek resolution is put in place well in time to avoid disputes reaching unmanageable levels.

Source: financialexpress.com– July 26, 2021

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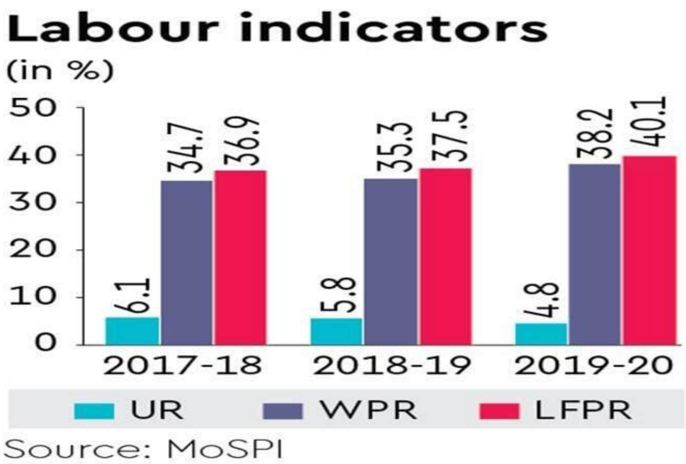
'Job scenario improved in 2019-20, before pandemic played spoilsport'

Labour indicators recorded an all-round improvement in 2019-20 compared with the previous two years, data released by the the National Statistical Office (NSO) on Friday showed. According to the third annual report on periodic labour force survey (PLFS), conducted by the NSO between July 2019-June 2020, the unemployment rate fell to 4.8% in 2019-20. In 2018-19, it stood at 5.8% and 6.1% in 2017-18. Unemployment rate is defined as the percentage of persons unemployed among the persons in the labour force.



NSO launched PLFS in April 2017. The first annual report (July 2017-June 2018) was released in May 2019 and the second (July 2018-June 2019) in June 2020.

When the results of PLFS 2017-18 was out in 2019, showing unemployment at a 45-year high of 6.1%, a row erupted — while the Opposition cited the date to data to put the government in the dock, the latter said PLFS wasn't strictly comparable with the with outcomes of the exercise done by NSO previously. The PLFS is based on stratified random samples.

The pandemic hit the country hard since March-April last year. According to the Centre for Monitoring of Indian Economy (CMIE), the monthly jobless rate for March 2020 was 8.75%, which rose to 23.52% in April 2020, then came down a little to 21.73% in May and in June 2020, it was 10.18%. According to CMIE, the unemployment rate in January this year was at 6.52%, 6.89% in February, 6.5% in March, 7.97% in April, 11.9% in May and 9.17% in June 2021.

For the third annual report on PLFS, a little over one lakh households and around 4.2 lakh persons, both in urban and rural areas, were surveyed.

According to PLFS, the worker population rate (WPR), defined as the percentage of employed persons in the population, improved to 38.2% in 2019-20 compared with 35.3% in 2018-19 and 34.7% in 2017-18.

Labour force participation ratio (LFPR) which denotes the percentage of persons in labour force (those working or seeking or available for work) in the population, also increased to 40.1% in 2019-20 from 37.5% and 36.9%, respectively, in the last two years. The higher the LFPR, the better. The data showed the jobless rate for both male and female fell to 5.1% and 4.2%, respectively, in 2019-20 from 6% and 5.2% in 2018-19. WPR and LFPR also comparatively improved during the year.

While the government says the CMIE data doesn't give true picture of the job scenario due to limitations of the survey, economist Jean Dreze noted that the CMIE's survey was biased towards better-off households. Given the absence of high-frequency official date, the CMIE data, however, do serve the purpose of gauging the employment scenario in the country.

Source: financialexpress.com– July 24, 2021

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Apparel major Arvind says "not yet free" from uncertainties resulting from pandemic

Domestic market is expected to come back as the second wave of COVID-19 recedes and the festival season comes closer although uncertainties resulting from the pandemic still persists, according to textiles and garments major Arvind Ltd Chairman Sanjay Lalbhai.

In his address to shareholders in the company''s Annual Report for 2020-21, Lalbhai said export markets, including the US, are poised to deliver strong growth in coming quarters and overall demand growth is expected this year as retail and distribution pipelines are running low on inventory.

"As expected, FY2021 was a challenging year for our core textiles and apparel businesses. There was a sharp reduction in demand across all markets especially in the early part of the financial year," he wrote.

As the countries learned to live and cope with COVID-19, Lalbhai said, "Many of the export markets started to resume. By the second quarter, several of our export customers had started placing orders, partly driven by their online demand."

Domestic markets started seeing traction around Diwali, he said adding, "Overall, the momentum picked up well in H2 and we wrapped up the year with a strong fourth quarter."

For this year, he said, "I believe that the US and our other export markets are poised to deliver strong growth in coming quarters. Domestic markets will also come back as the second wave of the pandemic recedes and the festival season comes closer."

Lalbhai further said, "This year is likely to see growth in demand for us as retail and distribution pipelines are running low on inventory."

However, he hastened to add that "we are not yet free from the uncertainties resulting from the pandemic and we will continue to watch on both the opportunities and potential risks, and take a balanced approach forward".

"This risk managed approach will guide our day-to-day decisions as well as those related to capital allocation," Lalbhai said.

In FY21, Lalbhai said, the company made "great strides" in strengthening its digital front-end enabling it to serve its global customers much more swiftly.

"Our sampling process has moved online, and sets us up for a much speedier response to the market," he said, adding the company is also investing in blockchain based solutions to improve traceability of inputs.

In summary, he wrote, "While I don''t see the challenges facing your company and the world at large completely fade away in the next few days, I would like to assure you that we are well poised to take advantage of the opportunities that will unfold."

Source: outlookindia.com– July 23, 2021

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