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The Cotton Textiles Export Promotion Council (TEXPROCIL)
Engineering Centre, 5th Floor, 9, Mathew Road, Mumbai 400004. Maharashtra State. INDIA
W. www.texprocil.org E. ibtex@texprocil.org T. +91-22-23632910 to 12 F. +91-22-23632914

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INTERNATIONAL NEWS

INTERNATIONAL NEWS

China's GDP projected to reach 8% in 2021, 5.1% in 2022: World Bank

Real GDP growth is projected to reach 8 per cent this year, before moderating to 5.1 per cent in 2022. To achieve quality growth over the medium-term, China will need to rebalance its economy across several dimensions, according to Rebalancing Act, From Recovery to High-Quality Growth, the latest China Economic Update released by the World Bank.

Following a strong rebound in the first half of 2021, economic activity in China cooled rapidly in the latter half of the year.

The economic slowdown reflects less-favourable base effects, diminished support from exports, and the government's continued deleveraging efforts. Although full-year growth is projected to slow in 2022, momentum is expected to pick up, aided by a more supportive fiscal stance following the rapid withdrawal of fiscal policy support in 2021, as per the World Bank report.

Risks to China's economic outlook are tilted to the downside. Renewed domestic COVID-19 outbreaks, including the new Omicron variant, could require more broad-based and longer-lasting restrictions leading to larger disruptions in economic activity.

While the authorities should stand ready to ease fiscal policy to support domestic demand in 2022 and provide liquidity to stem risks of contagion from distressed developers, the report argues that the traditional playbook of boosting growth through infrastructure and real estate investment has run its course.

"The pandemic and subsequent recovery have worsened domestic and external economic imbalances," said Martin Raiser, World Bank country director for China, Mongolia and Korea. "The transition to high quality growth is a challenging re-balancing act, but structural reforms could help reduce policy trade-offs."

Three challenges stand out: first, rebalancing from external to domestic demand and from investment and industry-led growth to greater reliance on consumption and services; second, rebalancing from the significant weight placed on state leadership and regulation to a greater role for markets and the private sector; and third, transitioning from a high to a low-carbon economy.

To support the rebalancing towards domestic consumption, fiscal reforms could create a more progressive tax system while boosting social safety nets and spending on health and education, the report notes.

The wider use of carbon pricing along with power sector reforms and the development of a wider set of green financing instruments would help accelerate China's low carbon transition while encouraging green innovation, thereby boosting medium-term growth prospects, the report added.

Source: fibre2fashion.com– Dec 24, 2021

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The Uyghur Forced Labor Prevention Act is Law. Now What?

President Joe Biden has signed into law legislation that bans imports from China's northwestern Xinjiang Uyghur Autonomous Region over concerns of forced labor, the White House announced Thursday.

The move comes one week after the Senate and House of Representatives passed compromise text that reconciled their versions of the Uyghur Forced Labor Prevention Act, which in its current form creates a "rebuttable presumption" that all products from Xinjiang have been made under coercion by persecuted Muslim minorities—and therefore barred from entering the United States under the 1930 Tariff Act—unless "clear and convincing" evidence proves otherwise.

Previous Xinjiang-related Withhold Release Orders from the Custom and Border Protection (CBP), which targeted cotton products, tomatoes and some polysilicon products, only blocked goods if forced labor was suspected. Democratic Senator Jeff Merkley of Oregon, who co-authored the Senate version of the bill with Florida Republican Marco Rubio, said in a statement that the legislation sends a "powerful, bipartisan message that the United States will not turn a blind eye" as Beijing tries to "whitewash their genocide."

"The United States must send a resounding and unequivocal message against genocide and slave labor wherever these evils appear," he added. "Now that the Uyghur Forced Labor Prevention Act has reached President Biden's desk and been signed into law, we can finally ensure that American consumers and businesses can buy goods without inadvertent complicity in China's horrific human-rights abuses."

White House press secretary Jen Psaki told reporters that American businesses "should never feel the need to apologize for standing up for fundamental human rights or opposing repression."

"As we've said before, we call on all industries to ensure that they are not sourcing products that involve forced labor, including forced labor from Xinjiang," she said. "The reality is that companies that fail to address forced labor and other human rights abuses in their supply chains face serious legal risk [and] reputational and customer risks, not just in the United States but in Europe and other regions of the world."

Experts believe that Xinjiang authorities have detained up to 1.8 million Uyghurs, Kazakhs and other Turkic Muslim groups in prisons and work camps as part of a broader campaign of oppression. Many have also been torn from their homes and sent to toil in factories in other parts of China under the guise of poverty alleviation and counter-terrorism, but which leaked high-level Chinese documents revealed are meant to reduce the Uyghur population density in Xinjiang while “influence[ing], fus[ing] and assimilat[ing] Uyghur minorities.”

In its annual human-rights report, which was released in March, the Biden administration labeled the ruling Chinese Communist Party’s abuse of Uyghurs, which include extrajudicial imprisonment, forced sterilization, high-tech surveillance, forced family separations and cultural and religious repression, as genocide. Former detainees of the camps have also reported systematic physical harm such as starvation, sexual abuse, rape and torture.

“The Chinese government is conducting a brutal campaign of genocide against Uyghur Muslims and other Turkic ethnic minority groups in the Uyghur region. As part of that campaign, Chinese authorities have forced millions of Uyghurs into slavery at labor camps,” Robert McCaw, government affairs director at the Council on American-Islamic Relations, said in a statement. “By signing the Uyghur Forced Labor Prevention Act, President Biden has provided our government with a powerful tool to ensure that no American corporation is able [to] profit from Uyghur slave labor and thereby contribute to China’s genocide.”

Next steps

The Forced Labor Enforcement Task Force, a cross-agency unit established under the United States-Mexico-Canada Agreement Implementation Act, has 30 days to publish in the Federal Register a notice soliciting public comments on “how best to ensure that goods mined, produced, or manufactured wholly or in part with forced labor in the People’s Republic of China, including by Uyghurs, Kazakhs, Kyrgyz, Tibetans, and members of other persecuted groups in the People’s Republic of China, and especially in the Xinjiang Uyghur Autonomous Region, are not imported into the United States.”

Within 45 days from the close of the comment period, the task force must hold a hearing with testimony on the measures to be taken. CBP is also required to employ the rebuttable presumption 180 days from the law’s enactment, meaning it will take effect sometime in June.

The Uyghur Forced Labor Prevention Act, according to Leonardo Bonanni, founder and CEO of Sourcemap, a supply-chain risk platform, will have a "limited impact" on companies that have already made it a practice to map their supply chains, whether for sustainability reasons or to combat Covid-19-related disruptions.

"Companies that map their supply chains know where all of their products are sourced, down to the raw materials, which is exactly the degree of visibility needed to comply with CBP guidance," Bonanni told Sourcing Journal. "The legislation poses a much greater challenge to companies that don't know where their raw materials come from—they will need to scramble to put in place technology to map their suppliers and where needed, find alternate sources of materials to comply with U.S. regulations."

As sourcing heads into 2022, companies may find the United States, Canada and countries in the European Union seizing more imports to comply with tightening forced-labor and due-diligence measures, said Kate Larsen, CEO of SupplyESChange, a responsible-sourcing consultancy. Business leaders must therefore apply human-rights due-diligence frameworks to their sourcing strategies, perhaps "shifting back to nominated raw materials from approved countries and suppliers, to help screen out global risks in cotton, rubber, viscose, leather and more," Larsen told Sourcing Journal. Laggards will need to catch up with leaders and learn how to collaborate in industry initiatives, especially those led by worker representatives, that "engage and incentivize" to promote traceability, she added.

Indeed, one sticking point is that the law, which comes nearly two years after the bill was first drafted, comes "quite late," said Adrian Zenz, a German researcher known for his work on Xinjiang's labor camps, as well as a key witness who provided testimony during Congressional hearings about the subject. "I believe we're going to see more efforts on the Chinese side to conceal production in Xinjiang," he told Sourcing Journal. Besides the difficulties in "chasing up" more straightforward supply chains in Xinjiang, there's also the challenge of tracking labor transfers outside the region, something that isn't covered by the bill and is a "moving target."

There's also the issue of China "laundering" its cotton through other countries. Because of an export strategy that "obscures cotton's origin," Xinjiang cotton, which accounts for 85 percent of China's supply, can easily end up in items from household brands such as American Eagle, Calvin Klein, Gap, Ralph Lauren, J.Crew and Uniqlo even if they profess otherwise, a recent study by Sheffield Hallam University's Helena Kennedy Centre for

International Justice found. Even so-called “sustainable” cotton certifications such as the Better Cotton Initiative, Cotton made in Africa and the Global Organic Textile Standard aren’t guarantees of fair labor conditions, a policy paper by Berlin’s European Center for Constitutional and Human Rights noted earlier this month.

[The law] is a very important step but it basically triggers a lot of follow-ups,” Zenz said. “There’s a great need now to increase the capacity of the enforcement authorities. Source tracing mechanisms have to be strengthened—it almost probably has to be made a requirement.”

Though companies generally do not want to buy or sell products made with forced labor, the overriding obstacle is that many supply chains are “deep and opaque,” Angela Santos, a partner who leads ArentFox Schiff’s task force on forced-labor risks in the supply chain, told Sourcing Journal. But the regulation also provides some clarity that the Withhold Release Orders did not.

“While some view the bill as draconian, the benefit is that the enforcement process will hopefully be more transparent and uniform,” Santos said. “The government will be required to provide importers with guidance regarding supply chain due diligence and what documentation will be required to prove that goods are not produced with forced labor. Historically, CBP’s requests were often arbitrary and differed depending on the port. In addition, through the comment and hearing process, U.S. importers will have the opportunity to advise the government of the challenges they have faced in the forced labor enforcement process.”

For Justin Dillon, founder and CEO of FRDM (pronounced “freedom”), a San Francisco-based traceability platform, Biden’s signing of the bill sends a signal that ethical and transparent supply chains are “a requirement, not a luxury.”

“He has prioritized supply chain transparency at the C-Suite level, which will open up resources for procurement teams to steadily reverse engineer ethical and resilient supply chains,” Dillon told Sourcing Journal.

Source: sourcingjournal.com– Dec 23, 2021

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Why Futures Contracts May Be the Key to Stabilizing Freight Rates

As all stakeholders throughout the supply chain seek answers to 2021's skyrocketing freight rates, select parties are banking on futures contracts to bring some transparency to pricing going forward.

Six new futures contracts scheduled to start trading in February are designed to hedge the risk of ocean freight rates, and mitigate some of the volatility that importers and shippers have faced as they attempt to secure tighter container capacity.

Futures dealer and broker Freight Investor Services (FIS) said that it will offer the container freight rate futures on the Chicago Mercantile Exchange (CME), one of the world's largest futures and commodities exchanges.

"The cost of freight shipping has become increasingly volatile, creating new price risks for the transportation of goods globally," said Peter Keavey, global head of energy products at CME Group in a statement. "We believe our new container freight futures will be a valuable risk management tool for customers looking to hedge their freight costs over a longer time horizon and look forward to working with Freightos and the Baltic Exchange to offer these products to the marketplace."

The daily price of the futures contracts will settle against the Freightos Baltic Index (FBX), a container rate tracking index developed by digital freight booking platform Freightos and the Baltic Exchange, the 277-year-old, London-based provider of shipping rates and indices.

The Baltic Exchange said in a separate statement that trading is expected to begin Feb. 28, with the first contract month for trade being March 2022, pending regulatory review.

"The Baltic Exchange is an independent, trusted body with deep experience of managing complex benchmarks for the shipping industry," Baltic Exchange CEO Mark Jackson said in a statement. "Our freight benchmarks already underpin a liquid market for dry bulk and tanker shipping, and we are excited by the prospect of the development of a market which plays such a significant role in moving global trade."

The listed contracts will be for these major trade routes: China/East Asia to the U.S. West Coast (FBX 01); the U.S. West Coast to China/East Asia (FBX 02); China/East Asia to the U.S. East Coast (FBX 03); China/East Asia to North Europe (FBX 11); North Europe to China/East Asia (FBX 12); and China/East Asia to the Mediterranean (FBX 13).

Futures contracts enable shippers to lock in the forward cost of freight over a time period of their choosing. For ocean liners and ship owners, listed futures open opportunities to hedge against a downturn and ensure long-term stability and profitability after the strongest container market price run in history. The price structure, in the form of the "forward curve," can provide visibility into what might happen in the future for CEOs, economists and freight consultants and advisers.

The new container futures come amid soaring freight rates in 2021, poor ocean freight reliability and congestion at all major ports. U.S. container imports in 2021 are anticipated to be the highest since 2002 and over 18 percent higher than 2020, according to the National Retail Foundation.

And according to FBX data, current contracts across all 12 trade routes collected indicate that the average 40-foot equivalent container unit (FEU) was $9,153 as of Dec. 17. This is a 14.4 percent decrease from the peaking rates on Sept. 10, indicating that rates have alleviated across the board into the holiday season. But it also speaks to the volatility that these prices endured, especially since FEU costs were as little as $3,452 per unit on Jan. 1, marking a 165.2 percent increase in 2021.

"The volatility that we have seen in the last 18 months has led many participants in search of hedging tools," said Peter Stallion, container broker at FIS in a statement. "Futures are that tool to fill the gap between inflexible physical long-term contracts and outright exposure to spot prices. The launch of these cleared contracts opens up the market to all participants, helping drive forward an efficient and universally beneficial market…The listing of cleared contracts will bring in crucial liquidity providers, allowing us to drive forward more trading and help ocean liners, ship owners, freight forwarders and shippers manage their future price risk."

Zvi Schreiber, CEO at Freightos, said that the industry has long suffered from lack of transparency and flexibility, making the introduction of these futures contracts more important to a potential further decline in 2022 freight rates and overall pricing volatility.

“We are excited that container shipping will now join other industries in adopting flexible index-linked pricing with financial instruments to hedge pricing risk,” Schreiber said in a statement. “FBX futures will help global supply chains to cope with unprecedented demand and new levels of volatility driven by the pandemic.”

Source: sourcingjournal.com– Dec 23, 2021

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UK retail sales to grow at lacklustre pace in year to December: CBI

UK's retail sales growth slowed sharply in the year to December due to Omicron, disappointing last month's expectations for a further acceleration, according to the latest CBI monthly Distributive Trades Survey. Sales are expected to grow at a similarly lacklustre pace in the year to January. Sales were in line with seasonal norms in December, well above typical levels in November.

Sales were seen as broadly average for the time of year (-2 per cent from +35 per cent last month) and are expected to be poor for the time of year next month (-11 per cent). Stock levels in relation to expected sales saw a positive balance for the first time since February 2021 (+22 per cent from -2 per cent last month).

Orders placed upon suppliers grew at a faster pace than last month (+55 per cent from +30 per cent), but growth is expected to ease in the year to January (+25 per cent). Internet sales were broadly flat in the year to December (+3 per cent from -14 per cent; average is +44 per cent) but are expected to decline in January (-23 per cent).

The survey of 109 companies, including 41 retailers, saw a general deterioration in reported and expected sales growth across the distribution sector following the announcement of Plan B measures on December 8. Over half of firms that responded before the announcement reported that sales were 'up' on last year. This figure fell to one third for those that responded on or after December 8.

Orders placed with suppliers grew at a faster pace in the year to December than in November, with a slower rate of growth expected next month. Stock levels in relation to expected sales were reported as more than adequate for the first time since February this year and they are expected to be broadly adequate in January 2022. Anecdotes received from respondents indicate that retailers are building inventories to mitigate ongoing pressures, although some continue to struggle to do so, as per the CBI survey.

Meanwhile, wholesalers reported that sales growth slowed in the year to December, with similar growth expected next month.

Ben Jones, CBI lead economist, said: "Our December survey confirms what we've been hearing anecdotally about Omicron's chilling impact on activity on the High Street, with retail sales growth slowing and expectations for the coming month sharply downgraded.

"On the supply side, retailers have been making progress in building up stocks, which were seen as more than adequate to deal with expected demand over Christmas. The concern now is the potential for rapidly rising sickness and staff absences to cause renewed disruption to supply chains in the New Year.

"It's crucial that the government takes steps to help society live confidently with the virus, including meaningful dialogue between business, government and unions to assess the impact of restrictions and the need for future support."

Source: fibre2fashion.com– Dec 24, 2021

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Sri Lanka's Merchandise Exports expected to surpass USD12 billion by the end of 2021

Sri Lanka's merchandise exports increased by 55.11% to US$ 1,215.6 Million in November 2021 compared to November 2020 as per the data released by the Sri Lanka Customs. Exports maintained above one billion dollars for the fifth consecutive month in November this year.

EDB Chairman & Chief Executive, Suresh D. de Mel said, Sri Lanka's exports continued its remarkable achievement in November 2021, registering another USD one billion monthly revenue. "The growth in exports was not only due to the effective prevention and control of the pandemic in Sri Lanka, but the commitment of exporter community to support the national economy by bringing in the much-needed foreign currency. I commend the exporters for their resilience and commitment at this time."

Major Exports in November 2021

Export earnings from Apparel & Textile have increased by 52.8 % y-o-y to $ 496.4 million in November 2021 with strong performance in exports of Apparel (61.9%) and Woven Fabrics (95.9%). On a year-on-year basis, exports Made-Up Textile Articles and Yarn & other Textile Articles declined by 40.2% and 26.5% respectively in November 2021 in comparison to November 2020.

Export earnings from Rubber and Rubber Finished products have increased by 46.9 % y-o-y to $ 102.2 million in November 2021, with strong performance in exports of industrial & surgical gloves (45.2%) and Pneumatic & Retreated Rubber Tires & Tubes (57.2%).

Export earnings from kernel products, fiber products and shell products categorized under the Coconut based products increased by 45.5%, 30.5% and 42.9% respectively in November 2021 compared to November 2020.

Year-on- year, export earnings from Coconut Oil, Desiccated Coconut, Coconut Milk powder, Coconut cream and Liquid Coconut Milk categorized under the Coconut Kernel Products increased by 37.24%, 72.78%, 52.07%, 79.5% and 19.41% respectively in November 2021.

Being the largest contributor to Coconut based sector, Coco Peat, Fiber Pith & Moulded products which are categorized under the Coconut fiber products, increased by 42.4% to US$ 16.7 million in November 2021 in comparison to November 2020. Earnings from Activated Carbon, which is categorized under the Coconut shell products recorded US$ 13.84 million in November 2021 compared to November 2020.

Export earnings from the Electrical & Electronics Components increased by 43.53% y-o-y to US$ 36.47 million in November 2021 with strong performance in exports of Insulated wires & cables (5.89%), Switches, Boards & Panels (31.37%) and Electronic Transformers (156.71%).

Export earnings from Seafood increased by 233.43% to US$ 34.91 million in November 2021 compared to November 2020. This increase was mainly due to the increase in earnings from export of frozen fish, Shrimps and Prawns, Fish Fresh or Chilled and other edible fish.

Major Exports during the period of January – November 2021

For the period of January to November 2021, merchandise exports increased by 22.39 % to US$ 11,116.68 Million compared to the corresponding period of 2020, following increased exports of almost all the major product sectors; Apparel & Textiles, Tea, Rubber-based products, Coconut based products, Electronics & Electronic Components, Spices and Concentrates, Food & Beverages, Seafood and Ornamental fish as shown in the table below.

Earnings from export of Apparel & Textile increased by 23.5% to US% 4,884.86 million during the period of January to November 2021 compared to the same period of 2020, export of apparel and woven fabrics expanded by 26.66% and 101.86% while exports of Made-Up Textile Articles and Yarn and other Textile Articles were down by 45.69% and 9.15%, respectively.

Export earnings from Tea increased by 7.6% to US$ 1,213.75 million during the period of January to November 2021 compared with the corresponding period of 2020. Exports of all the sub categories of tea sector; Tea packets, Bulk Tea, Tea bags, Instant Tea and Green Tea increased by 11.28%, 3.19%, 83.33%, 19.74% and 27.76% respectively during the period of January to November 2021 compared with the same period of 2020.

In parallel, export earnings from Rubber & Rubber finished products increased by 35.62 % to US$ 999.1 million in January - November 2021 compared with the same period of 2020 attributed to higher exports of Industrial & Surgical Gloves of Rubber (53.31%) and Pneumatic & Retreated Rubber Tires & Tubes (40.41%).

For the period of January to November 2021, export earnings from Coconut & Coconut based products expanded by 25.77% to US$ 766.81 million from the same period last year. Earnings from all the major categories of Coconut based products increased in the period of January – November 2021 compared with the corresponding period of 2020 due to the improved performance in export of Liquid Coconut Milk, Coconut cream, Coconut Milk Powder, Cocopeat, Mattress Fiber, & Activated Carbon, Coconut Oil and Desiccated Coconut.

Meanwhile earnings from export of Electrical and Electronic Components (EEC) increased by 31.6 % to US$ 384.5 million in the period of January to November 2021 compared to the corresponding period of 2020. Export of Insulated wires increased by 45.35 % in during the period of January to November 2021 to US$ 64.4 million compared with the corresponding period of previous year. In addition, export of Electrical Transformers, Switches, Boards & Panels and Other Electrical & Electronic Products increased by 65.0%, 34.9% and 26.9 % respectively during the period of January to November 2021 compared with the corresponding period of previous year.

Export earnings from Spices and Essential Oils increased by 36.6% to US$ 412.9 million in the period of January to November 2021 compared to year 2020 due to the better performance in all the sub categories; Cinnamon (11.8%), pepper (139.5%), cloves (149.7%), nutmeg & mace (10.6) and Oleoresins (73.3%), etc.

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Source: colombopage.com– Dec 23, 2021

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Cambodia's trade with China tops $10 mn 2 years before target

Trade between Cambodia and China rose by 45.9 per cent year on year to $10.98 billion between January and October this year, according to China's commerce ministry. The two sides had committed to reaching annual bilateral trade of $10 billion by 2023, according to Cambodia's commerce ministry. Bilateral trade fell by 5.2 per cent last year to $8.1 billion.

Imports from China dropped nearly 7 per cent last year as garment factory closures reduced fabric demand.

When the Cambodia-China Free Trade Agreement (FTA) comes into force next year, Cambodia will import 340 kinds of goods from China, 95 per cent of which will be taxed at zero per cent

The two countries are members of the Regional Comprehensive Economic Partnership (RCEP), both of which come into force on January 1.

China's commerce ministry said the FTA and RCEP will help raise imports from Cambodia and encourage Chinese companies to invest more in the Kingdom, according to Cambodian media reports.

It said Beijing is willing to help promote cooperation in infrastructure development, improve production capacity, expand the digital economy through e-commerce cooperation and develop more sustainable low-carbon industry.

The two countries signed a memorandum of understanding on establishing an investment and economic cooperation working group last week.

Cambodia's main exports to China include milled rice, cassava, fresh mangoes, and bananas. It mainly imports fabric and accessories for garment production, construction materials and vehicles.

Source: fibre2fashion.com– Dec 23, 2021

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German economy may shrink in Q4 2021 due to COVID: Bundesbank

The German economy will witness a setback in the last quarter (Q4) of 2021 and the first quarter (Q1) of 2022 due to the pandemic, but is set to pick up significant momentum again in spring of next year, according to the Deutsche Bundesbank (German federal bank), which projected that gross domestic product will rise by 2.5 per cent this year—less strongly than anticipated in June.

Over the next two years, calendar-adjusted economic growth will then rebound to 4.2 per cent and 3.2 per cent respectively, according to these projections. "The upswing has been slightly delayed," said Bundesbank president Jens Weidmann at a presentation of the institution's current projections.

Private consumption is expected to rise substantially from spring onwards, with the assumption that pandemic-induced restrictions will largely have fallen away by then, Bundesbank said in a press release.

Additional spending of household savings accumulated during the pandemic is likely, in part.

The bank's projections for the inflation rate are consistently markedly higher than June expectations. An inflation rate of 3.2 per cent as measured by the harmonised index of consumer prices is expected for this year, attributable not only to one-off effects that have been on the radar for some time, but also to the expiry of the reduction in value-added tax rates and the introduction of carbon emission certificates.

The inflation rate will only fall significantly if these influences diminish in 2023, according to the bank's experts. At 2.2 per cent in 2023 and 2024, too, however, it will still remain relatively high, not only on account of strongly rising wages and the favourable economic situation, but also due to the costs associated with the transition to a climate-neutral economy.

Source: fibre2fashion.com– Dec 23, 2021

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Korea invests in Vietnam garment and leather

The Republic of Korea has invested heavily in the textile, garment, leather and footwear industries of Vietnam. Korea is investing in Vietnam's textile and garment industry in a big way. As per Vietnam Trade Promotion Agency, Korea is one of the biggest trading partners. The move is to satisfy growing orders from US importers, mostly leading retailers such as Target, Walmart, Kohls, Kmart, Sears and Tesco. With more than 500 businesses based in Vietnam, and nearly two billion dollars in total committed capital, Korean investment has helped bolster Vietnam's textile and garment industry.

Korea is one of the leading economic partners of Vietnam, ranking first in foreign direct investment and third in trade with Vietnam. Bilateral trade in the first ten months of 2021 was up 17.6 per cent year on year. Korea hopes to invest more in Vietnam's industry, especially in material production and design, so as to benefit from preferential treatment under free trade agreements.

Vietnam is the second biggest exporter of leather and footwear products in the world. There are nearly 2,000 enterprises in this sector, and they engage in all production steps. Meanwhile, the Republic of Korea is one of the five main export markets of this industry. Given this, Vietnamese businesses have relatively big opportunities to cooperate with Korean importers to boost exports.

Source: fashionatingworld.com– Dec 23, 2021

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Vietnam's logistics industry facing infrastructure, warehousing issues

Though Vietnam's logistics industry witnessed robust growth in recent years, it faces several challenges like service costs, infrastructure bottlenecks, warehousing, equipment and human resources, deputy minister of industry and trade Do Thang Hai told a recent conference with the theme 'Development of Vietnam's logistics industry with Europe-America region'.

Hai said the World Bank's most recent logistics performance index ranked Vietnam 39th out of 160 countries and third in Southeast Asia. This is the country's highest position to date.

"Logistics is also one of the fastest-growing and most stable industries of Vietnam with an average growth rate of 14-16 per cent per year, contributing to GDP [gross domestic product] from 4-5 per cent," he was quoted as saying by Vietnamese media reports.

He said the country has about 30,000 enterprises operating in logistics.

However, while Europe and America are major trade partners, congestion on container transport routes, especially in transport routes, as well as a large shortage of empty containers continuing from 2020, has seriously affected the export of goods to these markets.

In the first ten months of 2021, the total export turnover of seasonal products like apparel, footwear, agricultural products, electronics, and consumer goods to the US reached $24.8 billion, accounting for 32.8 per cent of the total export turnover of Vietnam to the United States. If these businesses continue to face difficulties in logistics in the long run, they will lose their direct link with the transport chain and have to depend on other businesses.

Around 90 per cent of exports from Viet Nam depend on foreign shipping companies. A participant of the conference suggested that Vietnam should develop its own logistic routes, adding that a local company like Hoa Phat could produce the empty containers.

Source: fibre2fashion.com– Dec 23, 2021

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Cambodia-S Korea trade reaches $869 mn in Jan-Nov 2021

Cambodia-South Korea bilateral trade rose by 8.8 per cent to $869.73 million during January-November this year as the two countries agreed to fully implement the newly-signed free trade agreement (FTA) next year. Cambodia's exports to South Korea were worth $309.07 million during the period, a year-on-year rise of 5.9 per cent, whereas its imports from the latter rose by 10.5 per cent to $560.66 million.

The two countries signed in October this year the FTA. The Korea International Trade Association released the figures recently.

Cambodia mainly exported footwear and other apparel, travel products, beverages, electrical and electronic components, rubber, pharmaceuticals and agricultural products to South Korea, while it imported vehicles, electronics, kitchen appliances, beverages, pharmaceuticals and finished plastics and products, according to a Cambodian newspaper report.

Source: fibre2fashion.com– Dec 23, 2021

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Bangladesh: Dhaka allows 1 bond licence for many units of leather, footwear firms

The Bangladesh customs authority recently allowed fully export-oriented leather and footwear exporters to enjoy bonded-warehouse facility for multiple production units under a company by obtaining a single bond licence. Production units located in different zones, but owned by a single company, would be considered as parts of the main company.

In a December 15 circular, the customs wing of the National Board of Revenue (NBR) amended the existing continuation or extension bond order, issued on July 10, 2008.

The circular has been issued following demands of Leather Goods and Footwear Manufacturers and Exporters Association of Bangladesh (LFMEAB) and the Bangladesh Tannery Association (BTA), according to Bangla media reports.

LFMEAB and the Metropolitan Chamber of Commerce and Industry has hailed the decision.

NBR found that several export-oriented units were facing problems as they could not export their products within the bonding period of 24 months.

Source: fibre2fashion.com– Dec 23, 2021

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New e-com platform Walcart launched in Bangladesh

Bangladesh's electronics and technology products manufacturer, marketer and exporter Walton Group recently launched its online market platform Walcart aimed at building the largest domestic online service and delivery network. State minister for information and communication technology Zunaid Ahmed Palak inaugurated the platform in Dhaka.

"We have gone from an importing country to a producing one, and from there to being an exporting country. Walton is playing a groundbreaking role in this. Our goal is to generate $5 billion in export revenue from the ICT sector by 2025. We expect one-fifth of that to come from Walton," Palak was quoted as saying by Bangla media reports.

Walcart now offers products and services in more than 30 categories, including Walton products, with thousands of sellers across the country connected to this platform.

Incorporated on November 22 last year, the platform already has more than 20,000 likes on its official Facebook page and offers more than 100 categories, including fashion and lifestyle.

It also has two separate business models for product delivery to its customers- business-to-business (B2B) model and business-to-consumer (B2C) model, delivering those nationwide in two ways- in-house delivery and seller-side delivery.

The platform also claims delivery within 3-5 days in Dhaka City and 5-10 days outside Dhaka following order confirmation. However, customers may avail of same-day delivery services for grocery items in some areas only.

Source: fibre2fashion.com– Dec 24, 2021

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NATIONAL NEWS

Shri Piyush Goyal held talks with Australian Trade Minister to expedite the bilateral Comprehensive Economic Cooperation Agreement (CECA) negotiations

Union Minister for Commerce and Industry, Food and Consumer Affairs and Textiles, Shri Piyush Goyal and Mr. Dan Tehan MP, Minister for Trade, Tourism and Investment, Australia held talks this week to expedite the bilateral Comprehensive Economic Cooperation Agreement (CECA) negotiations.

During the video conference on 21 December 2021, the Ministers appreciated the progress made in various rounds of talks between the chief negotiators of both sides and discussed the way forward for an early conclusion of interim agreement.

In this regard, both the Ministers appreciated that bilateral trade talks have been very progressive and both the ministers have decided to deepen the engagement and directed the officials to speed up the negotiations to pave the way for a comprehensive agreement.

The Ministers agreed they look forward to a balanced trade agreement that benefits both the economies and their people, and that reflects their shared commitment to a rules-based international trading system.

Source: pib.gov.in– Dec 23, 2021

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Piyush Goyal, Australian Trade Minister holds talk to expedite FTA negotiations

"The ministers agreed they look forward to a balanced trade agreement that benefits both the economies and their people, and that reflects their shared commitment to a rules-based international trading system," it added.

Commerce and Industry Minister Piyush Goyal and his Australian counterpart Dan Tehan have held talks on December 21 to expedite talks for the proposed free trade agreement, which aimed at enhancing economic ties between the countries.

“The ministers appreciated the progress made in various rounds of talks between the chief negotiators of both sides and discussed the way forward for an early conclusion of interim agreement,” the commerce ministry said in a statement on Thursday.

Both sides also directed the officials to speed up the negotiations to pave the way for a comprehensive agreement, which is officially dubbed as Comprehensive Economic Cooperation Agreement (CECA).

“The ministers agreed they look forward to a balanced trade agreement that benefits both the economies and their people, and that reflects their shared commitment to a rules-based international trading system,” it added.

India and Australia have agreed to conclude a long-pending free trade agreement, officially dubbed as CECA, by the end of 2022, and an early harvest trade deal by end of this year.

In an early harvest or interim agreement, two trading partners significantly reduce or eliminate customs duties in a certain specified number of goods. These duties were removed in the maximum number of goods traded between them in a free trade agreement or CECA. They also liberalise norms for enhancing trade in services and boost investments in a CECA.

Both the countries launched negotiations for a CECA in May 2011, but the negotiations were suspended in 2015, due to certain disagreements over certain issues such as market access for agriculture and dairy products, and visa liberalisation for professionals.

In 2020-21, India's exports to Australia were USD 4.04 billion, while imports were USD 8.24 billion. India mainly exports refined petroleum, medicaments, railway vehicles including hovertrains, pearls and gems, jewellery, and made-up textile articles. While imports include coal, copper ores and concentrates, gold, vegetables, wool, fruits and nuts, lentils, and education-related services.

Source: financialexpress.com- Dec 23, 2021

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Small units to lose businesses as govt tightens input tax credit rules

Come January 1, businesses could find their working capital and profitability taking a hit if any of their suppliers fail to upload their invoices on the goods and services tax (GST) portal, as the government has tightened the norms on input tax credits (ITC) to check frauds.

By doing away with the provisional ITC, the authorities have also made it difficult for small businesses to get supply orders from Corporate India, which will now deal with only businesses above a certain size that can meet the compliance requirements under the GST regime.

Currently, businesses can claim 5% of their total eligible ITC as 'provisional' ITC even if these are not matched with supplier invoices. As per the rules for Central GST notified by the Central Board of Indirect Taxes and Customs (CBIC) on Tuesday, no provisional ITC would be available to businesses from January 1. The 5% provisional ITC has been giving a cushion to businesses, more so to MSMEs, which are struggling to come out of the pandemic-induced slump, analysts reckon.

"It's a bit unfair that even after complying with all GST return filings and tax payments, a business has to suffer due to non-compliance by some vendors. Effectively, tax administration shifts the compliance burden to recipient of goods/services," said MS Mani, Partner, Deloitte India.

After GST was rolled out from July 2017, all taxpayers claimed ITC on a self-declaration basis. From October 2019, the concept of provisional ITC was introduced, allowing businesses to claim only 20% ITC as provisional (largely covering non-compliant vendors) from the eligible ITC reflected in their GSTR-2A statement on the inward supplies.

The provisional ITC got reduced to 10% in 2020. However, from January 1, 2021, this limit was reduced further to 5% of the eligible ITC reflected in the GSTR-2B.GSTR-2B is an auto-populated (from GSTR-1, GSTR-5, GSTR-6 and ICEGATE) statement reflecting input tax credit details.

The central tax authorities have booked about 8,000 cases involving fake ITC availment of over Rs 35,000 crore in FY21. While misuse of the beneficial provision of ITC under GST regime was the most common way of evasion under the GST law, the scale of this has been worrisome for the taxman.

However, Mani said, given that nowhere in the world vendors are 100% compliant with regard to GST as small businesses lack resources to engage professional tax consultants or hire the skilled manpower, 5% provisional ITC gave a cushion to businesses and it should have been continued for a few more years till GST stabilised.

For a company which pays `100 crore GST in cash every month, 5% amounts to Rs 5 crore and that is huge sum from working capital point of view. “This will lead to a situation where large businesses will deal with large businesses only as dealing with smaller one means losing some credits,” Mani added.

Source: financialexpress.com- Dec 23, 2021

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Govt to deregulate tariffs for PPP projects at major ports

New guidelines allow concessionaires at major ports to set tariffs as per market dynamics

The Shipping Ministry has announced tariff guidelines for public private participation (PPP) projects at major ports in the country. The reform initiative moves the shipping sector towards deregulation of tariffs for PPP projects at these ports, which will provide a level playing field to PPP concessionaires to compete with private ports.

TAMP abolished

"The need for new guidelines arose consequent upon the new Major Port Authority Act, 2021, coming in vogue from November 3. In the new Act, the provision of the erstwhile Tariff Authority for Major Ports (TAMP) stands abolished. These guidelines allow the concessionaires at major ports to set tariffs as per market dynamics," the ministry said in a statement.

At present, PPP concessionaires at major ports handle around 50 per cent of the total traffic handled by all such ports in India.

The PPP concessionaires at major ports were constrained to operate under the stipulations of these guidelines (by TAMP) whereas private operators/PPP concessionaires at non-major ports were free to charge tariff as per market conditions. These new guidelines will be applicable for future PPP projects, including the projects which are currently under bidding.

'Era of market economy'

Union Minister for Ports, Shipping and Waterways Sarbananda Sonowal said the government-mandated concessions in tariff for trans-shipment and coastal shipping shall continue to apply to all PPP future concessionaires. The government has gone a step further and made further concessions to promote trans-shipment and coastal shipping. The royalty payable for trans-shipment cargo will now be one time (from 1.5 times earlier) the normal container.

Similarly, for coastal cargo, the concessionaire has to pay only 40 per cent of the royalty payable for foreign cargo (from 60 per cent earlier) in accordance with coastal concession policy. For transparency, the tariffs are to be hosted on the concessionaire's website, he noted.

The minister added that these guidelines will usher in an era of market economy for the sector and go a long way in making major ports competitive. The announcement also comes at a time when the government is celebrating 'Good Governance' week.

Source: thehindubusinessline.com- Dec 23, 2021

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Exports may be slow down in FY23 due to Covid, supply issues: Trade group

India's outbound shipments growth may slow down in 2022-23 compared to the previous fiscal year due to new variants of Covid-19 and supply side challenges, Federation of Indian Export Organizations (FIEO) said on Thursday.

Exports clocking 15-20 percent growth or more in the next fiscal will depend on whether the pandemic is contained through massive vaccination across the globe and creation of required capacity, the exporters' body said in a statement.

"Looking into the emergence of the new variants and supply side challenges at this point of time, we would like to be a little conservative and will aim for an export of $460-475 billion during the next fiscal," said FIEO president A Sakthivel.

India exported goods worth $290.63 billion during the financial year 2020-21. It aims to achieve a target of $400 billion in the current fiscal year, which is expected to translate into a growth of nearly 38 per cent YoY. While in absolute terms, the target of $400 billion is likely to be achieved by the end of the fiscal year, the growth may not be as sharp due to a high base.

"Thus, export growth of 30-35 per cent on such numbers ($400 billion) would be difficult, particularly as additional exports may require augmenting the capacity as well. Moreover, the spectacular increase in global trade by about 22 per cent, buoyed by high prices of commodities, as witnessed in 2021 will not be there to provide the tail wind to our exports," Sakthivel said.

There has been a sustained increase in exports since the beginning of the current fiscal, amid robust external demand due to opening up of various economies. As of now, India has met nearly two-thirds of its annual export target.

"The good thing with our exports has been a very balanced growth across sectors both in traditional exports as well as sunrise sectors of exports during the current fiscal. We are hopeful that the same trend will continue particularly as the order booking position of all exporters are extremely encouraging and China plus one policy of global companies is definitely helping our exports," Sakthivel said.

During April-October, when the overall exports grew by about 59 per cent, almost all regions witnessed a growth rate of at least 60 per cent, barring Association of Southeast Asian Nations (ASEAN), North East Asia and Commonwealth of Indian States (CIS) countries.

Therefore, in the next year as well, FIEO believes that export growth will be widespread and exports to NAFTA, Europe, Middle-East, Oceania will continue to boom. India should ink trade agreements with the UK and UAE soon and finalize trade pacts with Canada and Australia next year, he said. Lack of capacity is one of the major concerns to meet the increasing demand.

Rise in input cost and delays in shipments and payments have resulted in the need for additional credit. While container shortage has eased due to peak season supplies for Christmas, New Year and Chinese New Year getting over, the same is likely to compound once countries open up after the holiday seasons particularly if the new Covid-19 variant is not brought under control, said the exporters association.

Source: business-standard.com- Dec 24, 2021

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GoM on GST rate likely to submit report by February: Bommai

The Group of Ministers (GoM) on GST rate rationalisation is likely to submit its final report by February, Karnataka chief minister Basavaraj Bommai, who heads it, said on Thursday.

The chief minister said this while replying to a debate on the supplementary estimates worth ₹3,577 crore that was passed in the Karnataka legislative assembly on Thursday.

"I have held two meetings of the GoM so far, there are opposition states also, and I'm happy to say that I've been able to take everybody along -- CPI, Congress, BJP and others. We've been successful in bringing everybody on the same platform, as everybody works for public interest," Bommai said.

He also said that he expects the revenues to go up after the rates are rationalised.

At present, there are four slabs -- 5, 12, 18 and 28 -- under the GST.

Noting that he is in the middle of multiple challenges, Bommai, who also holds finance portfolio, said, "There's the post-Covid recovery that we need to focus on, then there's the threat of a new wave, the GST compensation regime is ending and our expenditure is rising. I'm in the middle of all this." He said the state has achieved 67 per cent of the target own-tax revenue collection by the end of November.

"The achievement is 71 per cent in commercial taxes, 68 per cent in excise, 66 per cent in stamps and registration and 54 per cent in motor vehicles tax." "Even during Covid-19, we haven't fallen behind revenue collection." "There are goods that have a higher tax potential.

For example, on arecanut, we got ₹8 crore excess GST in just one week. Similarly, there are products that have been neglected and we are concentrating on them," he added.

Source: hindustantimes.com- Dec 24, 2021

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RBI extends card tokenisation rule by 6 months after industry request

The Reserve Bank of India (RBI) on Thursday extended the deadline for wiping off card data on merchant sites and applying tokenisation by another six months as merchants and payments companies expressed their inability to meet the December 31 deadline.

In a statement on its website, the central bank said “at the request of industry stakeholders”, the timeline is being extended until June 30, 2022.

After that, all card data “shall be purged”. In addition to tokenisation, industry stakeholders must devise an alternative mechanism to handle recurring e-mandates, equated monthly instalment (EMI) options, etc. or any post-transaction activity that currently involves the storage of card-on-file data by entities other than card issuers and card networks.

On March 17, 2020, the central bank had said from June 30, 2021, merchant websites and payment aggregators should not store customer card data.

At the request of merchants and payment aggregators as well as card companies and banks, this timeline was extended until December 31, 2021. In order to avoid inconveniencing customers, the central bank on September 7 this year introduced card-on-file tokenisation (CoFT) services.

Ashish Agarwal, vice-president and head of policy, Nasscom, said this extension was valuable and would mitigate business and payments risks for customers.

“We really hope the #Banks and other ecosystem players look at this extension with responsibility and comply with the timeline now.”

Sijo Kuruvilla, executive director, Alliance of Digital India Foundation, said “thanks to the RBI for listening to stakeholders and acknowledging the readiness challenges. The extension gives a breather to all players in the payment ecosystem.”

Tokenisation refers to the technology of substituting sensitive card data with random numbers. The merchant sites get this random set of numbers while processing is done by the card-issuing bank or the card company such as Visa, MasterCard, or Rupay.

Card on file tokenisation (CoFT) is used to register card data with a merchant site in a manner that the basic details reside with the card company or the issuer bank, but not with the merchant, so that the customer does not have to key in his or her details every time for a transaction.

The deadline for card tokenisation had created problems in the payments industry because not all banks and payment companies were ready with the infrastructure. Many customers who were upset with the RBI decision to change the recurring payments to a consent-based system were not willing to tokenise their card details for the new system.

Besides, most merchants and even banks were not prepared to switch to the new system on time. The payments industry had lobbied for two years at least for a smooth transition, according to reports.

In a status check report earlier this week, Business Standard quoted Sanjeev Moghe, executive vice-president and head (cards and payments), Axis Bank, who said some merchants had completed the changes for customers to tokenise their cards, and many others were expected to be ready by the end of the year with the proposed changes.

Vishwas Patel, chairman, Payments Council of India (PCI), and director, Infibeam Avenues, however, said: “A few card-issuing banks are not ready, and some merchants are taking time, so it might be a challenge for the ecosystem to go live from January 1, 2022.”

The tokenisation services of Visa and Mastercard have been tested in other countries. Rupay was also ready with its technology, but it was untested, being the newest card network, mainly concentrated on India.

According to food delivery and e-commerce executives, even as payments firms are ready with the technology, customers are not.

“We are ready with our solution. However, we are unable to offer it to most card customers because the upstream support for all banks and card networks is far from 100 per cent,” said an executive at a food delivery unicorn.

Rameesh Kailasam, chief executive officer and president of IndiaTech.org, an industry association representing India’s technology start-ups, unicorns, and investors, said:

“All banks, processing banks that process tokens, payment networks, payment processors, and millions of merchants have to build support to fetch tokens, purge card data, and rewire internal logic. This will take time. Ideally, a graduated process is the need of the hour and while the RBI had given enough time, clarity emerged largely around September.”

But companies had started their own tokenisation solutions. PayU, an online payment solution provider, has launched “PayU Token Hub”, which offers both network tokens and issuer tokens under a single hub.

Source: business-standard.com- Dec 24, 2021

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CHANGES IN HSN CODES AS PER HS-2022 w.e.f 01.01.2022

The WCO has announced the New (Seventh) edition of HSN - HS-2022 w.e.f 01.01.2022.

India being party to HS Convention will also align its First Schedule of Customs Tariff Act with HS-2022. The necessary changes required were already in placed in the Finance Act, 2021.

The new HS-2022 have around 351 amendments at 6 Digit level. whereas India follows 8 digit classification.

In order to ease the transition for Exporter and Import and making the co-relation between HS2021 and HS2022 at 8-digit level, Customs have provided a correlation document(at 8 digit level).

The Correlation document can be accessed on the CBIC Website at the link below:

https://www.cbic.gov.in/resources//htdocs-cbec/deptt_offcr/Guidance%20Document%20on%20Correlation%20of%20Customs%20Tariff%20between%202021%20and%202022.pdf

The Document provides - Annexure I which provides the coding and Annexure II which shows the HS code of both versions 2021 and 2022 along with the "correlation code".

The "Correlation code" is provided at each 8 digit entry to provide clear meaning and the change happened in HS-2022.

Exporter / Importers are requested to get their HS codes aligned with HS-2022 for their transactions w.e.f 01.01.2022.

Source: wcoomd.org- Dec 23, 2021

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