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INTERNATIONAL NEWS

Will Indian cotton stocks sales put much pressure on China cotton market?

Cotton Corporation of India has raised its base selling price of reserved cotton on Aug 11 and Aug 14, and according to Cotlook, by Aug 25, CCI has sold about 1.04 million tons of cotton. With the good sales of reserved cotton, and continual upswing of base selling price, the sales of cotton stocks of CCI, which originally put pressure on the international cotton market, have gradually turned to be a support point, but many Indian reserved cotton have been bought by international cotton merchants, still increasing the market supply. For the Chinese cotton market, in 2020, only 894kt of cotton quotas under 1% is allocated, and with the limited quotas, though there is certain impact of Indian cotton on domestic spot cotton, the direct pressure is small.

The reserved cotton sales of CCI:

As of Aug 25, according to Cotlook, CCI had sold about 1.04 million tons of cotton, and the remaining stocks in CCI and Maharashtra Cotton Federation are estimated at about 1.22 million tons. CCI raised the base selling price of reserved cotton on Aug 11 and Aug 14: on Aug 11, the prices of 2018/19 cotton have increased by an average of Rs.100/candy from the beginning of Aug, and the 2019/20 cotton price increased by an average of Rs. 300/candy.

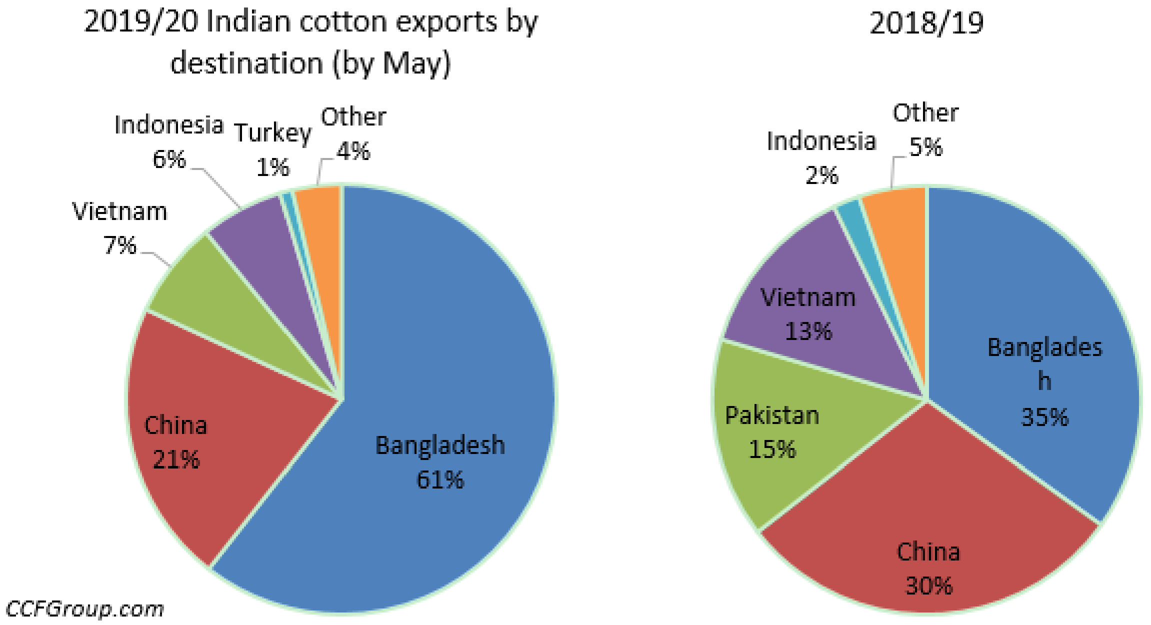
On Aug 14, CCI announced the latest discounts and prices of cotton stocks during Aug 16 and Aug 31. The 2018/19 cotton prices have been raised by an average of Rs. 100/candy, and 2019/20 cotton prices increased by Rs. 100-200/candy. CCI also began to suspend daily sales from Aug 25 to deal with outstanding sales.

With the good sales of CCI's cotton sales and continual upswing of prices, the sales of Indian cotton turn to be a support to the global market. Moreover, the good sales also support the CCI's new cotton procurement in new season.

(Remarks: The source of the data in the above table is from Cotlook. Since the CCI does not announce the transaction and inventory data, the data may be slightly different among different sources.)

CCI transactions of cotton stocks			
Unit: KT	Maharashtra Cotton Federation	CCI stocks	
		2018/19	2019/20
sub-total	310.0	1955	
Total stocks	2265.0		
Transaction time	Transaction volumes		
by 2020/8/7	497.0		
2020/8/7-2020/8/14	30.0		
2020/8/14-2020/8/19	207.0		
2020/8/19/2020/8/25	308.0		
Total transaction volumes	1042.0		
Proportion in stocks	46.0%		
Stocks left	1223.0		

According to Indian cotton exports by May, 2020, in 2019/20 season, Indian cotton exports to Bangladesh accounted for a larger share of around 61%. According to previous reports, India is formulating a memorandum of understanding, planning to export 1.5-2 million bales of cotton (about 250,000-350,000 tons) to Bangladesh, and the CCI will also establish its own warehouse in Vietnam to promote cotton exports. Bangladesh and Vietnam are the potential consumers of Indian cotton.

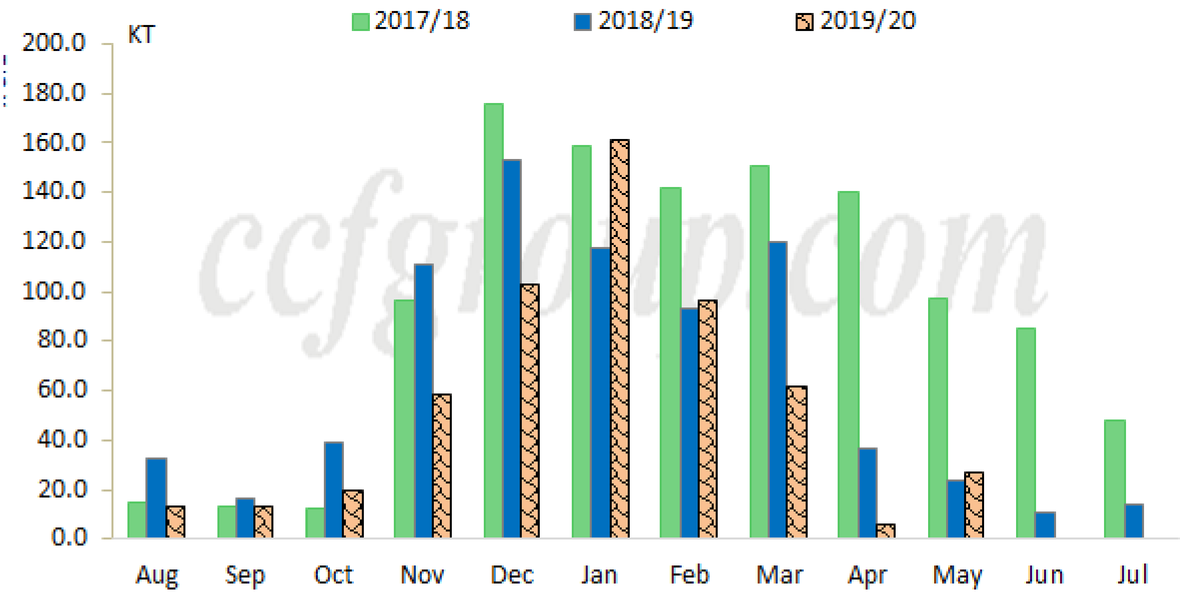


The impact of competitive Indian cotton on domestic spot cotton:

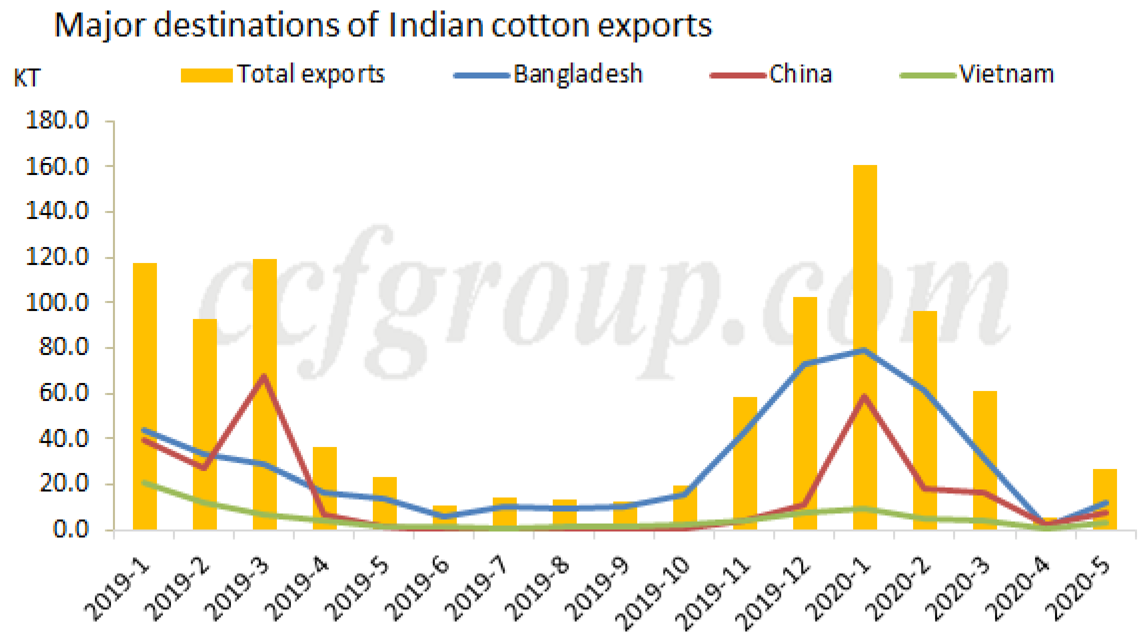
According to data from the Ministry of Commerce of India, India exported 27,000 tons of cotton in May 2020, an increase of 368% month-on-month and 14% year-on-year. From Jan to May of 2020, the total export volume was 351,300 tons, a year-on-year decrease of 10%, and during the international crop year of 2019/20 season, export volumes amounted to 558,000 tons, a year-on-year decrease of 25%. The transactions of CCI were mainly concentrated in Aug, and most of them were purchased by international cotton merchants. Currently, the Indian cotton shipments to China are mostly in Sep and Oct.

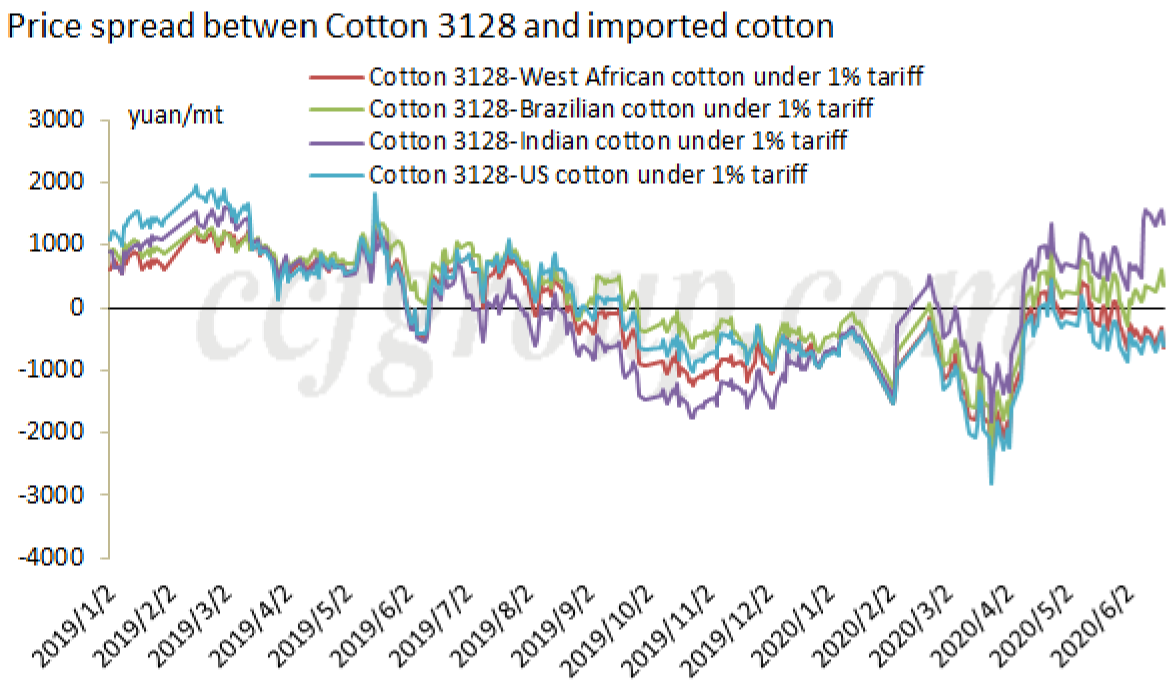
In 2020, China only allocated 874kt of cotton quotas under 1% tariff, and on Sep 1, China announced to allocate 400kt of sliding-scale duty quotas, all for imports by processing trade quotas. For Sep/Oct shipment, Indian cotton is mostly offered at 67-68cent/lb, equivalent to about 13,500-13,600yuan/mt under sliding-scale duty.

Indian cotton export volumes (international crop year)



In addition, the quality of Brazilian cotton is relatively good, while Indian cotton quality is inferior. Indian cotton sales will be stimulated only with larger price spread. Therefore, although the low-priced Indian cotton has a certain impact on the domestic cotton, the direct pressure brought by it is relatively small. Since cotton yarn import does not require quotas, the pressure on the domestic cotton textile market may be mainly from imported Indian yarn.





Source: ccfgroup.com– Sep 01, 2020

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Global exports of cotton apparels slightly depressed

The global export of cotton apparels including men’s or boy’s overcoats, carcoats, capes, cloaks, anoraks (including ski-jackets), windcheaters, wind-jackets and similar articles, knitted or crocheted, other than those of heading 6103) has registered a 3.21 per cent decline from $950.83 million in the year 2017 to $920.29 million in 2019.

Total exports fell 2.71 per cent in 2019 over the previous year and is expected to drop to $892.33 million in 2022 with a rate of 3.04 per cent from 2019.

The global import value of cotton apparels was $1,166.63 million in 2017, which slightly grew 0.51 per cent to $1,172.56 million in 2019. Total imports plunged 2.35 per cent in 2019 over the previous year and is expected to diminish to $1,125.78 million in 2022 with a rate of 3.99 per cent from 2019, according to Fibre2Fashion's market analysis tool TexPro.

Belgium ($134.69 million), Vietnam ($122.11 million), Cambodia ($113.43 million), China ($78.30 million) and Germany ($64.85 million) were the key exporters of cotton apparels across the globe in 2019, together comprising 55.78 per cent of total export. These were followed by Netherlands ($43.70 million), Italy ($40.72 million) and Spain ($39.36 million).

From 2016 to 2019, the most notable rate of growth in terms of export value, amongst the main exporting countries, was attained by Germany (113.57 per cent), Cambodia (92.14 per cent), Belgium (44.10 per cent) and Vietnam (32.48 per cent).

US ($380.60 million), Germany ($107.94 million), France ($65.13 million) and Belgium ($61.29 million) were the key importers of cotton apparels in the globe in 2019, together comprising 52.45 per cent of total import. These were followed by UK ($60.32 million), Spain ($46.89 million) and Netherlands ($44.94 million).

From 2016 to 2019, the most notable rate of growth in terms of import value, amongst the main importing countries, was attained by France (54.76 per cent), Belgium (45.49 per cent) and Germany (43.88 per cent).

Source: fibre2fashion.com– Sep 01, 2020

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Global Trade Seen Rebounding Faster Now Than Post-Lehman

Global trade is on course to recover more quickly from the coronavirus pandemic than after the 2008 financial crisis, according to Germany's Kiel Institute for the World Economy.

Shipping volumes are already back at levels that took more than a year to reach following the collapse of Lehman Brothers Holdings Inc., hinting at a V-shaped recovery, the institution's President Gabriel Felbermayr said.

Trade has seen a "deep slump and a quick rebound," he said. "The current situation is significantly better" than a decade ago.

The pandemic has pushed the global economy into what may be its deepest slump since the Great Depression. The initial rebound reflects the lifting of severe restrictions to contain the virus, and policy makers have warned against premature optimism that the worst has passed.

The World Trade Organization said earlier this month that projections for a strong, V-shaped trade rebound in 2021 might be "overly optimistic."

Yet others — including the Kiel Institute — are taking a more confident stance. On Monday, International Monetary Fund Managing Director Kristalina Georgieva pointed to a "revival of trade."

The government of export-heavyweight Germany expects the economic fallout from the coronavirus to be smaller than expected this year, according to a person familiar with updated forecasts to be published later on Tuesday.

The Kiel Institute argued container shipping activity in key areas supported its conclusion, with ship movements in the Americas, Asia and Europe normalizing. Freight capacity was back at levels that would be expected in late August — even without a crisis.

Source: maritimegateway.com– Sep 01, 2020

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Japan's apparel sales drop by 40%: JDSA

The Japanese plan for strategic investment in IndiaAs per recent data from the Japan Department Stores Association (JDSA), apparel retail sales in Japan dropped by 40 per cent during the first half of 2020 compared to the same time in 2019.

The decline was noted both in the first quarter spanning January-March 2020 as well as in the April-June quarter of the COVID-19 struck. A monthly surge can be seen from mid-May onwards, as the state of emergency has been lifted in stages across the country since May 14, 2020 before being finally ended on May 25 , 2020.

As a consequence, growth was unprecedented in June '20 over May '20, which shows a large number of shoppers have come out buying post-pandemic apparels. The yearly decline among the majority of fashion shoppers shows lingering fears of infections in the region. Monthly rise of 217 percent in June '20 over May' 20 was huge, which is a strong sign that the post-outbreak rebounding of the apparel industry has begun.

In the quarter affected by COVID-19 from April-June '20, sales of Japanese apparel declined 66.81 per cent to $1.27 billion. Sales declined 22.30 per cent from the same time in 2019 in January-March '20 quarter to $3.28 billion.

Source: fashionatingworld.com– Sep 01, 2020

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Gap to close over 225 global stores

Hit by difficult times, Iconic American retailer Gap Inc plans to close more than 225 Gap and Banana Republic stores globally this year. As of 1 August, Gap Inc. had a total of 3,814 stores across 42 countries including 1,643 stores of Gap and Banana Republic alone.

The company has many brands in its kitty like Old Navy, Athleta, Janie and Jake brands apart from Gap and Banana Republic.

This decision of closures underlines how the company has been struggling to keep profits up during the pandemic, especially in malls, as a majority of the stores located in malls are being closed for good. Total sales across major brands declined 18 per cent in the second quarter.

However, the saving grace has been the 95 per cent increase in online sales which has been able to offset some of the losses.

Gap and Banana Republic suffered the most with a 28 per cent and 52 per cent decline in sales, respectively, making the store closures inevitable. Athleta, on the other hand, has been a bright spot for the company with net sales rising 6 per cent and comparable sales up 19 per cent.

The exact locations and breakdown of closures is not yet known but the company intends to reveal that during a virtual investor meeting in October.

Source: fashionatingworld.com– Sep 01, 2020

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Indonesian textile and garment industry dips 14.23 per cent: Statistica

As per Statistica Indonesia(BPS), the pandemic has aggravated issues related to competitiveness in the Indonesian textile and garment industry which contracted by 14.23 per cent year on year (YoY) in the second quarter of this year as domestic and global demand slowed, compared to an annualized growth rate of 20.71 percent in the corresponding period in 2019

The textile industry contracted more than the manufacturing industry, which shrank by 6.19 per cent YoY in the second quarter of this year. Redma Gita Wirawasta, Researcher, Indonesian Textile Institute (Indotex) believes the country's textile industry to be less competitive than those of other nations primarily because of high energy and logistics costs, low productivity, multilayered value-added tax regime from the upstream to the downstream and low-tech machinery.

According to Faisal Basri, Economist, Institute for Development of Economics and Finance (INDEF), continued use of outdated machinery corresponded with the investment data, which showed that the majority of investment funds had been channeled towards developing new buildings and not to upgrading machinery and equipment

Investment in machinery and equipment fell by 12.87 per cent YoY in the second quarter as the pandemic caused the Indonesian economy to contract for the first time since the 1998 Asian financial crisis. The economy contracted by 5.32 per cent in the second quarter as household consumption and investment declined in the fallout from the COVID-19 crisis.

In addition, the health crisis also caused household spending on clothing, footwear and garment maintenance services to decline at an annual rate of 5.31 per cent.

Source: fashionatingworld.com– Sep 01, 2020

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Uzbek textile-garment exports rise by 112% from Jan to Jul

Uzbek garment-textile exports rose by 112 per cent to $1 billion from January to July as new markets opened up and new products were developed. During the period, the country exported textile-garment products to 57 countries and regions. The main destinations were Russia (39 per cent), China (18 per cent), Kyrgyzstan (13 per cent) and Turkey (12 per cent).

In addition to traditional markets, Uzbekistan also exported to Hungary, Slovakia and Greece. With the support of the Uzbek embassy in Kuwait, it exported to that country for the first time this year.

Uzbekistan optimised the export commodity structure of its industry by increasing the proportion of value-added finished products such as knitwear and readymade garments to 51 per cent, according to a report in an Uzbek media outlet.

It also started exporting new products like protective masks and clothing. Uzbekistan textile companies currently produce 6 million masks and 10,000 sets of protective clothing per day, and export them to Russia, Kuwait, Ukraine, Belarus, Georgia and other countries.

A May 6 presidential decree allowed Uzbek cotton to be sold at a rate pegged to prices on the New York Mercantile Exchange. The decree lengthened payment deadline for raw cotton from 90 days to 150 days.

The government also committed to simplifying the process whereby producers get value-added tax rebates once they ship their goods out of the country.

That effort was in line with a broader Uzbek government strategy of moving toward the production of more valuable exports, like fabrics and clothes, instead of simple raw cotton.

Source: fibre2fashion.com– Sep 01, 2020

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Kenyan apparel firm plans global distribution footprint

Kenyan export processing zone (EPZ) apparel company Nguo Yetu is planning to engage Kenyans working abroad, including the United States whose market offers preferential treatment to apparel and textile products from most African countries, in expanding its distribution footprint. The company with 300 employees also plans to get into partnerships with foreign companies in certain strategic markets.

"You [the Kenyan diaspora] can take advantage of such trade agreements like AGOA [African Growth Opportunity Act], which guarantees Kenyan apparel entry into the US market duty free and quota free. Make money while building your country and helping create employment through the largest locally owned apparel maker at the EPZ," said Sheila Muirara, chief executive officer of the company.

According to the Economic Survey, Kenyan firms exporting textiles and apparels to the United States under AGOA earned a combined Sh46 billion in 2019. According to data from the Export Processing Zone Authority (EPZA), there were 24 companies operating at the EPZs and employed 49,000 Kenyans last year.

"Our main objective is to create opportunities for Kenyans as well as project Kenya as a hub for manufacturing globally," added Muirara.

Source: fibre2fashion.com– Sep 01, 2020

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Modas Garment Factory Shutters in Guatemala, Cascading Effect Feared

More than two dozen Guatemalan apparel factories could close this year as suppliers seek cheaper production outposts in Nicaragua, Haiti or Vietnam, top executives said.

"We could lose another 20 to 25 factories of the 200 we have," said Alejandro Ceballos, president of leading apparel chamber Vestex. "Guatemala specializes in high-value apparel that's more expensive than other places so unless these factories can streamline quickly, they may close."

Ceballos' comments came after Modas B.I., a 20-year-old factory that made clothing for the likes of Forever 21, Saks Fifth Avenue and Nordstrom, shuttered last Friday, axing 800 workers.

"They made high-end women's blazers and blouses," said Ceballos, adding that the plant's Korean owner shifted production to Asia to cut costs amid shrinking demand for premium apparel in the aftermath of Covid-19. "Customers are looking for better prices so they decided to close everything, pay employees and move production to Vietnam" where it's much cheaper.

Modas sold its machinery and equipment to rival Hansae for an undisclosed sum, Ceballos revealed. Many other manufacturers are hanging on a "loose string" because while U.S. orders are gradually recovering, trademarks demanding fashionable short runs are seeking bigger price cuts to satisfy recession-hit consumers.

Consequently, Modas rivals such as Hansae and Sae-A may close some of their sites to move output to cheaper jurisdictions to satisfy customers, Ceballos noted. He cautioned, however, that none has yet mentioned specific plans to do this.

Guatemalan factories are now at 70 percent capacity compared with much lower rates when orders began to drop in March as the pandemic began to spread. The industry's revenues are down 15 percent so far this year to around $1.2 billion, according to Ceballos. This includes U.S. shipments comprising 60 percent of revenues and fabric exports (such as cotton and texturized polyester) to other Central American nations, comprising 40 percent.

While employment in the sector is still down 60 percent from pre-pandemic levels, the region has its eye on the upcoming U.S. election, which is further fueling uncertainty.

Source: sourcingjournal.com– Sep 01, 2020

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Vietnam's cloth import down 13 pct in 8 months

Vietnam spent nearly 7.6 billion U.S. dollars importing cloth in the first eight months of this year, posting a year-on-year decline of 13 percent, according to the country's General Statistics Office on Tuesday.

The country's largest cloth import markets included China and South Korea, according to the General Department of Vietnam Customs.

Between January and August, Vietnam imported over 1 million tons of cotton worth more than 1.6 billion U.S. dollars, down 1.4 percent in volume and 15.1 percent in value, and spent nearly 1.3 billion U.S. dollars importing 649,000 tons of yarn, down 22 percent and 10.1 percent respectively.

Last year, Vietnam poured over 13.3 billion U.S. dollars into importing cloth and earned roughly 32.6 billion U.S. dollars from exporting garments and textiles, according to the office.

Source: xinhuanet.com– Sep 01, 2020

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Pakistan: Raving incompetence

Trade profile of some major textile exporting countries is very interesting. Textile exports account for nine percent of the total in China, 12 percent in India, 25 percent in Vietnam, 60 percent in Pakistan and 80 percent in Bangladesh.

Another point worth noting is that lowest textile exports in value are from Pakistan averaging $12.5 billion annually; it is followed by Bangladesh with $33 billion, India and Vietnam with $39 billion and China with around $150 billion.

Interestingly, Pakistan's textile exports are 3 to 12 times lower than the textile exports of all above countries. Yet another fact is that the total exports of Pakistan, including textiles are 1.5 to 6 times less than only textile exports of these countries.

These facts speak volumes about the incompetence of all our economic planners (the incumbents are pursuing the same policies). They did not take cue from other regional economies that made sure their policies delivered.

We might have lived comfortably had the textile centric policy delivered. However, it was bound to fail as the policies favoured vested interests and created monopolies.

A look at the spinning industry that is the most capital-intensive textile sector reveals that it is dominated by one clan and they are closely interrelated. The policies ensured hefty profits on the strength of government subsidies until even the subsidies could not cover their inefficiencies.

This has resulted in closure of 130 spinning mills in last one decade. It is more than 25 percent of the spinning industry.

We add the lowest value to our textile products among all regional economies. This is the reason that countries like Bangladesh and Vietnam consume the same quantity of fibre as we do, but their textile exports are four times higher.

On top of that we failed to add new export sectors and even in textile we confined ourselves to a few products both in basic textiles and apparel. With limited portfolio of textile products, we also restricted ourselves to a few markets, while our adversaries spread their markets around the world.

We are basically in the American and European markets, while the rest of the regional textile players export their products to many Asian and African economies. Bangladesh in fact has even penetrated into huge the Chinese market, where numerous global brands sell apparel stitched in Bangladesh.

Another difference between the regional textile players except Bangladesh and Pakistan is that textile exports make up a small percentage of their exports.

Chinese export machines, automobiles, electronics, home appliances, and information technology. India too has a diverse export portfolio, with pharmaceutical fetching $20.7 billion, IT getting $99 billion, auto-parts generating $15 billion, and textile exports getting the country $39 billion in foreign exchange.

Vietnam exports electronics, light machinery, technology and also entered textile trade at the start of this century.

The problem with textile and clothing is that it is the first industrial sector that is hit in any global recession. Consumers delay buying clothing as they can manage with older apparel.

Their first preference is food, education, health and shelter. This is the reason that countries heavily dependent on textile exports suffer more economically in global recession than countries that have lower share of textiles in exports.

This is the reason that Bangladesh has been hit worst during the recession caused by COVID-19 as its textile exports suffered badly.

People wonder as to why our textile exports performed well than other regional textile exporters. The reason is simple. All other textile exporters of the region are in fashion apparel that has not revived as yet.

Pakistan does not export fashion textiles but is in low value daily use clothing like denim products and polo shirts where the demand has picked up. It is worth noting that the local sales of yarn have increased appreciably while exports have declined.

It may be news for some that the export price of yarn is lower than its domestic price. It is because the foreign fashion apparel makers are not importing yarn as yet while local stitching units are sitting on good orders.

It is however unfortunate that we have not paid attention to some of the most promising export sectors outside textiles. In pharmaceuticals for instance we had a better base than India, but our pharmaceutical exports are only $200 million compared with India's $20.7 billion.

Even Bangladesh that is a relative new comer in this field exports $3 billion pharmaceuticals annually. Similarly, despite making global standard auto-parts we could never exceed export of $200 million, while India exports auto-parts worth $15 billion. There are many other sectors like halal meat and software where we are operating much below our potential.

Source: thenews.com.pk– Sep 02, 2020

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India's high growth reform agenda: lessons for Pakistan

In addition to the health and human toll, the Covid-19 pandemic is likely to represent the largest economic shock that the world has experienced in decades. To provide an idea of the extent of economic devastation, developed economies shrank an unprecedented 9.8% between April to June 2020, compared to a mere 2.3% even in the worst quarter of the 2008/09 financial crisis. According to OECD, it is likely that the global economy will not return to pre-pandemic levels for years. On the other hand, the World Bank estimates predict that over the longer horizon, the deep recessions triggered by the pandemic will leave lasting scars through lower investment, an erosion of human capital, and fragmentation of global trade and supply linkages.

For developing economies, the brunt and disadvantage accruing to this phenomenon may be higher as it is likely to reverse several years, if not decades, of progress on their development curve. For a conglomerate like South Asia, this can mean that economies like India that are well on a path to economic growth can face years of economic stagnation and those like Pakistan that are struggling to maintain modest growth, may further be pushed into the abyss. But with a common ultimate aim of fostering economic growth, can the countries not learn anything from each other's experiences?

India's economy is more than 10 times that of Pakistan and has 6 times more population. It encompasses a range of sectors and industries, from traditional village farming and modern agriculture to a multitude of digital and IT services. Services are the major source of economic growth, accounting for nearly two-thirds of India's output but employing less than one-third of its labor force.

A recent report by the McKinsey Global Institute highlights the opportunity for India amidst the given circumstances - if used to spur reforms, the pandemic could actually put the country back on a high-growth track. But how? Three 'growth boosters', namely, (i) global hubs serving the country (ii) efficiency engines for competitiveness and (iii) new ways of living and working can add as much as $2.5 trillion to the economy by 2030. Pakistan has much to learn from the complementing set of activities under each.

To serve global markets, globally competitive manufacturing hubs are a prerequisite. Countries like India and Pakistan cannot dream of higher economic growth without raising competitiveness in high-potential sectors such as textiles and apparel, capital goods, pharmaceuticals and medical devices etc. This includes introducing sector specific policies that benefit large and small firms alike, putting in place a stable but declining tariff regime, creating well-functioning manufacturing clusters and reducing the cost disadvantage that they face in comparison to outperforming economies. Both Pakistan and India relatedly need to increase ease of doing business, removing obstacles like delayed payments and slow processes for obtaining permits through improvements like e-governance at local levels.

To progress towards competitive economies, inefficiencies in growth driving engines need to shrink: power, logistics, financial services, automation, and government services. Value based market models are a promising solution, where India is currently making progress. Working smartly and embedding technological advancement can lift productivity in plants and factories. Other opportunities including efficient power distribution, cutting T&D losses which could reduce power tariffs to commercial and industrial customers.

For example, India is pushed to reduce commercial and industrial (C&I) power tariffs through new business models in power distribution. Various reform measures are required to reduce tariffs by 20 to 25 percent - a shift to franchising models or privatization of power distribution companies. For a country like Pakistan, there are important learning lessons here.

A case in point is the high-potential textile industry of Pakistan, which is the only sector of the country with an exportable surplus, and thus requires special attention and facilitation to double its exports in the next four years. Despite its potential, it remains burdened with the highest energy tariffs in the region - electricity at 13.3 cents/kwh and gas at $6.5 / MMBTU - significantly higher than other regional players such as India and Bangladesh (comparable values at 7.2 cents/kwh and 7 cents/kwh, and $3.2/ MMBTU respectively). India has focused on further lowering these prices from current levels which are already well below Pakistan's, they paradoxically continue to rise in Pakistan.

Not surprisingly, this will render Pakistani goods highly uncompetitive. Furthermore, the government's reliance on taxing imports has been detrimental to the export-oriented industries which rely on internationally-sourced inputs, and yet are unable to acquire them at world prices. These hindrances, along with a plethora of others, have been highlighted at length in the Textile Policy of Pakistan, along with detailed strategies to address them. However, we are yet to see any action from the government's side when it comes to their implementation.

But amidst all the focus on manufacturing and industry, the 'human' element must not be forgotten. An emerging services sector is a reality that both India and Pakistan have, or will have, to contend with, alongside increasing aspirations of millions to possess a higher standard of living. Robust planning approaches for top cities including safer, higher quality urban environments, cleaner air and water, more convenience-based services and more independent work ideas in the new ideas-based economy are all opportunities to create millions of productive jobs in the services sector.

The notion of cities as engines of growth is not new to economic debates in Pakistan but becomes a non-starter due to an eternal struggle with poor and partial decentralization, further resulting in weak local government structures.

Given the rapidly rising unemployment, Pakistan's leadership will be hard pressed to implement economic reforms, promote further development of the energy sector, and attract foreign investment to support sufficient economic growth necessary to employ its growing and rapidly urbanizing population. To this end, promoting the economy's traditional strengths like manufacturing (textile) and construction sectors which can create employment and boost GDP growth seems like a promising start.

Source: brecorder.com – Sep 02, 2020

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NATIONAL NEWS

Indo-US limited trade deal nearly ready: Piyush Goyal

A "limited" India-US trade deal that has been in the works for months is "nearly ready" and can be "finalised at any time", commerce and industry minister Piyush Goyal said on Tuesday.

Speaking at a virtual leadership summit of the US-India Starategic Partnership Forum, Goyal said US trade representative Robert Lighthizer and he has agreed that "we can look finalising before the election, but otherwise soon after the election".

Goyal stressed that it's going to be a "foundation deal" that will deepen bilateral trade engagement. "India is open to signing tomorrow on what we have agreed on," he added, indicating India's readiness to clinch the deal on the points of convergence at the earliest. "India believes that it has to be win-win for both countries, and what we have created, the architecture of the initial deal, is in the best interests of businesses of both countries," he said.

Sources had earlier told FE that the "limited" deal could cover annual trade of over $13 billion, or roughly 15% of bilateral shipment, which also included a complete restoration of duty benefits for New Delhi under the so-called Generalised System of Preferences (GSP). However, if an agreement is reached quickly on widening the coverage, the initial deal could take the shape of a preferential trade agreement, amounting to a much higher value of annual trade.

India may consider opening up its dairy and poultry sectors partially if it gets a good deal from the US in textiles and garment and pharmaceuticals. In garments, for instance, the US import duties (for India) currently range between 16.5% and 32%. This deal may be followed by talks on a potential free trade agreement (FTA).

As part of the limited deal, India will likely reduce tariffs on high-end bikes like Harley Davidson, pledge greater market access in farm products, including cherry, and sweeten its initial offer on easing price caps in medical equipment, a source had said earlier. India is willing to apply trade margin on coronary stents and knee implants at the first point of sale (price to stockiest), instead of imposing it on the landed prices, as was proposed by it initially, to make it more attractive for American companies like Abbott.

India is also willing to resolve certain non-tariff measures, such as certification process for some dairy products and market access in alfalfa hay and pork.

Already, in July, Goyal had suggested that both India and the US could clinch a quick trade deal. “We should be able to get the quick trade deal out of the way after a few more calls. India and the US must sit down to negotiate a robust FTA but before that we can even look at an early harvest trade agreement for 50-100 products,” Goyal had said.

If the US agrees to roll back its extra tariff of 25% on Indian steel and 10% on aluminium, New Delhi will lift retaliatory steps and scrap punitive duties on 29 American goods, including farm items like almond, apple and walnut. This is expected to augur well for the Trump administration before the Presidential elections in November.

The US has been pressing India to abolish/cut “not justified” tariff on motorcycles (50%), automobiles (60%) and alcoholic beverages (150%). It is seeking better trade balance with India through greater market access in agriculture and dairy products.

The “limited deal” was earlier expected to be announced after Prime Minister Narendra Modi’s meeting with American President Donald Trump in New York on September 24 last year. However, differences over certain sticky issues caused the delay.

India’s trade surplus with the US has been shrinking, as it has stated importing oil and gas from the largest economy, something that India has been highlighting.

According to the US government data, New Delhi’s trade surplus with Washington eased to $24.3 billion in 2016 to $23.3 billion in 2019. According to the Indian government data, imports from the US stood at $35.7 billion in FY20, up 0.3% even though overall merchandise imports dropped by 7.8%.

Source: financialexpress.com– Sep 02, 2020

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Covid-19 crisis: Australia, India, Japan to cooperate on supply chain resilience

Goyal takes up issue of Japan's low procurement from India, trade imbalance

Trade Ministers from Australia, India and Japan, in a trilateral meeting on Tuesday, decided to work on a new initiative for regional cooperation on supply chain resilience in the Indo-Pacific region in light of the Covid-19 crisis and the recent global-scale changes in the economic and technological landscape.

Commerce and Industry Minister Piyush Goyal, Australia's Minister for Trade, Tourism and Investment Simon Birmingham, and Japan's Minister of Economy, Trade and Industry Kajiyama Hiroshi, who met through a video conference, instructed officials to work out the details for launch of the initiative later this year, according to an official release.

The Ministers called for other countries in the region, which share their views, to participate in the initiative and said that business and academia could play an important role in realising the objective.

India wholeheartedly endorsed the broad concept of working towards ensuring a trustworthy, dependable and reliable supply chain in the Indo-Pacific region, Goyal said in his speech. "The diversification of supply chain is critical for managing the risks associated with supply of inputs including disciplining price volatility. We could provide the core pathway for linking value chains in the region by creating a network of reliable long term supplies and appropriate capacities," he said.

The Ministers also said they would take a lead in delivering a free, fair, inclusive, non-discriminatory, transparent, predictable and stable trade and investment environment and in keeping their markets open.

Goyal expressed hope that the proposed initiative should clearly try to bridge trade gaps and work towards enhancing mutual trade. Taking up India's concerns on unbalanced trade with Japan, Goyal said it is seen that in specific products, despite India's global exports and Japanese global imports being high with zero preferential tariffs, the procurement from India was limited.

This cuts across many sectors such as steel, marine products, processed agriculture, agro-chemicals, plastics, carpets, clothing and footwear, and needs to be addressed, he said.

Describing Australia, India and Japan as crucial players in the region, Goyal said that in 2019, the cumulative GDP of the three was $9.3 trillion while cumulative merchandise goods and services trade were $2.7 trillion and $0.9 trillion respectively. “With such a strong baseline, it is important that we use this opportunity to work towards enhancing the share of our trade and investment in the region,” the Minister said.

Source: thehindubusinessline.com– Sep 01, 2020

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Remove anti-dumping duty on viscose fibre: Textile forums

Representatives of the Indian Texpreneurs Federation (ITF) and the Southern India Mills Association (Sima) have requested the ministries of textile, commerce, and finance to remove anti-dumping duty on viscose staple fibre (VSF).

While anti-dumping duty on purified terephthalic acid (PTA), a raw material for polyester, was removed in the previous budget, that on VSF still continues and because of this, the entire value chain is struggling to compete in the global market, said ITF convenor Prabhu Dhamodharan.

The import of VSF spun yarn in 2016-2017 was 2,022 tonnes and it went up to 56,262 tonne in 2019-20. China has been dumping yarn here and the landing cost of Chinese yarn is cheaper by Rs20 per kilogram than Indian spinners’ manufacturing cost.

Bangladesh, Vietnam and Cambodia have gained exponential share in the global man-made fibre-based textile and clothing exports as they have access to fibre at international prices, which make them competitive even without having their own source of raw material, ITF said.

“If anti-dumping duty on VSF is removed, Indian spinners will have access to the fibre at international prices, which will be competitive for the Indian spinners to match yarn imports. The benefits would then flow to the entire value chain including MSME weaving sector," the communication from ITF added.

"Removing the anti-dumping duty on VSF will make domestic VSF prices aligned with global prices, making the entire Indian VSF textile value chain globally competitive and boost production and exports of the products," said Sima chairman Ashwin Chandran.

"The opportunity loss incurred during the year 2019-20 due to viscose spun yarn import is estimated at four lakh spindles production capacity worth around Rs1,000 crores and 8,000 jobs in spinning and also a forex outflow of $129.15million," he added.

VSF attracts anti-dumping duty of $0.103 to $0.512/kg even from countries like Indonesia. Due to this, viscose fibre prices in India are much higher than international prices with a difference of around Rs20 to Rs23 per kg.

Source: timesofindia.com– Sep 01, 2020

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COVID-19 – An opportunity for India to boost technical textiles market

Engineered for definite functions, technical textiles are used in the agriculture, healthcare, defense, construction, aerospace, automobile and sports sectors. Global demand for technical textiles is growing at a CAGR of 4 per cent and is expected to reach $220 billion by 2025, says a report titled 'Technical Textiles: The Future of Textiles,' by Invest India.

India market to grow to $28.7 billion by 2020-21

As per the report, Asia-Pacific dominates the global technical textiles market with a 40 per cent share while North America occupies a 25 per cent share and Europe 22 cent.

Reasons for Asia Pacific's dominance include: rapid urbanization and technological advancements in its medical, automobile and construction industries coupled with ease of production, low-cost of labor and favorable government policies.

The report estimates Indian market for technical textiles growing at a CAGR of 12 per cent over the past five years. The industry contributes about 0.7 per cent to GDP accounting for approximately 13 per cent of total textile and apparel market.

Factors like easy availability of raw materials like cotton, wood, jute and silk along with a strong value chain, low cost labor, power and changing consumer trends have led to India's strong growth in this sector. A baseline survey of the textile industry by the Ministry of Textiles predicts India's technical textiles market will grow to $28.7 billion by 2020-21.

Government initiatives to increase growth rate

The report suggests, current consumption of technical textiles in India is 5 to 10 per cent against 30 per cent-70 per cent in some advanced countries. The government has introduced a National Technical Textiles Mission that aims to increase India's average growth rate in technical textiles to 15-20 per cent besides increasing domestic market size to $40 billion-$50 billion by 2024. The mission will achieve this through market development, market promotion, international technical collaborations, investment promotions, and the Make in India initiative.

The Central government has also introduced initiatives such as allowing 100 per cent FDO in this sector under the automatic route. In 2019, the ministry launched 207 HSN codes to help monitor import-export data and provide financial support and other incentives to manufacturers. The ministry also organizes Technotex India, in association with FICCI.

Besides, the Centre has set up integrated textile parks, eight centers of excellence, and the Amended Technology Upgradation Fund Scheme. In December 2019, it announced $1.4-trillion national infrastructure plan to develop projects in energy, road, railway, urban development, irrigation, and health sectors.

The Textiles Ministry also aims to create an ecosystem model to develop mega textile parks for technical textiles besides upgrading existing 19 functional textile parks. It has suggested creating a special fund for R&D worth $13 million in technical textiles. It also proposes to form a National Centre of Research in Technical Textiles that would be tasked with monitoring long- and short-term research.

Industry standards and focus on skilling

The report also emphasizes on the need to establish industry standards and focus on skilling. It concludes by saying the overall development of infrastructure, coupled with the availability of skilled and low-cost labor, focus on research and development activities, and strong manufacturing capabilities make India an attractive investment destination. On its part, India needs to convert its COVID-19 crisis to an opportunity and facilitate better communication between the government and the industry.

Source: fashionatingworld.com– Sep 01, 2020

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Digital Colonisation: India Needs To Shatter Technology Hegemony Of West, China

There has been significant usage of the term “Digital Colonisation” in recent years, in contexts that are often bordering jingoism. It is important to understand the term that I had coined more than a decade ago, so that we as a nation are better prepared to respond to the challenge.

To begin with, it is important to understand what 'Colonisation' from an economic perspective is. In fact, the drivers of colonisation have always been economic, and hence any other definition of colonisation is superfluous. The dictionary definition of colonisation is the action or process of settling among and establishing control over the indigenous people of an area. But that is not really what happened to nations across Asia, Africa and Americas. What happened in these areas from the 18th century till late 20th century was a massive extraction of wealth by a few, at an inhuman cost to many.

In a 2010 research paper, I had formally proposed the definition of 'Colonisation' as the extraction of disproportionate economic benefit from an area of influence through either manipulation of the rules of engagement or through force or deceit. Hence, I had identified three kinds of Colonisation: Social Colonisation, politico-military Colonisation, and now digital or technological Colonisation.

Social Colonisation is what happened in most societies where a small section of the upper class wielded enormous power over the rest of the society and subjugated them, leading to disproportionate economic benefits to the few who controlled the society. This led to serfdom in Europe and Russia with the aristocrats getting the benefit of such an economic structure at the cost of the vast majority. This was colonisation of the masses within the country. There were similar structures in Asia and other places also.

Something then happened towards the latter half of the 18th century – the French revolution of 1789. The revolution led to dismantling of the "social colonisation" structure in France and the message spread fast in Europe that the days of rampant social colonisation were over. However, how would the class that was benefiting from Social Colonisation continue to maintain their opulent lifestyle if they did not get to extract disproportionate economic benefits from their population, who used to toil hard to keep these few aristocrats rich? This class very quickly gravitated to shift from the exploitation of their population to the exploitation of populations of other lands where they were beginning to taste military wins. This was the beginning of politico-military colonisation in an institutionalised manner.

Since the colonial powers established full control over foreign lands and their population, establishing the rules of engagement through force and deceit, that lend to massive economic exploitation. None of these rules were in consultation with the locals. The rules were not even part of any treaties.

For example, in India the British laid out a rule called the Doctrine of Lapse that prevented an adopted child from claiming the throne, that led to the famous war with the Rani of Jhansi. But why would anyone be forced to follow a doctrine that was unilaterally adopted by the British? Similar principles of laying out a "rule of law" but the law being twisted to favour of the colonial powers, was followed in the economic sphere, and continues to be a hallmark of the modern era.

The earliest imposition of such laws in the economic sphere was for the textile industry where in the late 18th century, the British imposed heavy taxes on exports from India after they failed to stop the consumer demand for the textiles in Britain.

It broke the back of the textile industry in India, which at that time accounted for over 25% of global textile production. In tandem, poor quality textiles were forced onto the Indian market, thus depriving the Indian textile manufacturers from accessing their own market. This economic measure sent millions of weavers to starvation and death.

That was the era of politico-military colonisation from which countries like India were liberated from the 1945 onwards. During this period of colonisation, Nobel Laureate Rabindranath Tagore wrote a poem which goes something like "Where the mind is without fear and the head is held high, and where Knowledge is free...' It was clear during the writing of this poem that only political liberation is not enough -- it is important to have free, unhindered access to knowledge, which, in today's times, translates to technology, in order to be truly liberated.

However, by the 1960s, we saw the phenomenon of tremendous push by the western nations on the issue of Intellectual Property Rights (IPR). Professors were exported from the US and other western nations to "teach" the merits of IPR. Patents were fiercely started to be imposed through trans-border regulations, undermining sovereignty of nations with impunity. Why did this change happen in the 1960s? The last of the major colonies got independence in that era. This would have had a major impact on the rich who were at the top of the pyramid of world order.

The rich in the west (and the west had become very rich by then due to the wealth accumulated from the colonies or from slave labour) had to figure out another mechanism to continue to maintain a way to extract disproportionate economic benefits from the erstwhile colonies and the rest of the world. This is where IPR fitted in very neatly. Since the plunder of the colonies was not limited to economic plunder but also intellectual plunder, knowledge and technology had moved to the west.

Technologies, such as extraction of Zinc, moved out from India to China and Europe in around the 17th century, and got patented in Europe. So, what the west had to do was to construct a monopoly over this knowledge base, in order to further their economic interest. This monopoly was constructed over the back of trans-border regulations on IPR that included patents, TRIPS, Information Technology Agreement (ITA-I and ITA-II) and other myriad structures which were introduced as the new "rules of engagement".

What was worse was that the world was held hostage to a vicious cycle of western companies creating new technologies, introducing standards around those technologies through global bodies such as IEEE, IEC etc, earning monopoly rent, which would then be plowed back into creating the next generation technology, which would promptly declare the previous technology to be outdated (remember how your fully functional laptops are junked and you are forced to buy new ones, which does exactly what your old laptops were doing), thus preventing any new players from coming in.

The technology is controlled through an ecosystem that would not allow new entrants from the non-western world, with the exception of Israel.

Any technology, created anywhere in the world, has a tendency of being sucked back into the ecosystem of the west. This is similar to the barriers of trade that were erected for the Indian textile industry in the late 18th century. This is the basis of "Digital Colonisation", where the standards, the technologies and the trade structures supporting the monopoly to technology, are controlled by the west, perpetrating disproportionate extraction of economic benefits from the rest of the world.

And what has such rules and structure of technology barriers to trade translated into? It translated into a situation where disproportionate economic benefits continued to flow to the west, until China stepped in like a bull in a proverbial China shop, ripping apart any respect for IPR, copyright, patents etc., and challenging the technology hegemony of the west. The challenge is visible from core technology, electronics, biotechnology, genetics (including genetic manipulation of viruses), to apps in the phone. We see the trade structures that promoted western hegemony on technology, are now beginning to being leveraged by China.

As a corollary, we also see the west now coming down heavily on China, to safeguard their hegemony on technology. Taiwan has become not just a geo-political issue but an important outpost for maintaining the structures of Digital Colonisation as bulk of the global semiconductors are manufactured in Taiwan, using US technology. If freedom of people was the key driver of US intervention into defending Taiwan, then they would have intervened into Tibet also, 70 years ago.

It is in the above context that India needs to view the strategies for breaking into the technology hegemony of the west and of China. It is technology and innovation that are the drivers of economic growth. It is technology and innovation that led to India's domination in a large part of the previous two millenniums. And regaining leadership in technology and innovation, breaking away from Digital Colonisation, would lead to India regaining its pre-eminence among global economies and bring prosperity to its people.

Source: outlookindia.com– Sep 01, 2020

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India's exports: New opportunities and newer challenges

The global economy faces challenging times ahead. Even before Covid-19 brought the world to an unexpected standstill, global economic prospects seemed in a precarious state as debt-fuelled growth of the past decade was reaching its limits in developed and developing countries alike. The coronavirus pandemic has accelerated and accentuated the inevitable crisis. In light of these trends, the need for export-led growth becomes more pertinent than ever. Even for a country as large as India that possesses an expansive domestic market, high growth can only be sustained with an export-oriented policy focus.

The government has made huge strides in facilitating an enabling business ecosystem through liberalisation of Foreign Direct Investment, ratifying WTO's Trade Facilitation Agreement, and other such reforms since 2014, which has improved India's integration into the global economy. To further enhance India's export preparedness to meet the needs of the post-Covid global economy, the Export Preparedness Index (EPI) 2020 examines the export ecosystem of Indian states and union territories.

The study recognises the important role of states in enhancing India's share in the global economy. To elaborate, a better domestic capability would enable India to compete with other emerging economies to become a viable supplier in the global market, which requires shifting the focus to the states. The EPI 2020 therefore aims to understand export preparedness at the regional level. It recognises that policy measures at the national level are not enough to strengthen exports and that efforts should begin with improving competition in the domestic market.

Further, improving the export competitiveness of states can also mitigate regional disparities through export-led growth and the consequent rise in standard of living. It is corroborated by the Economic Survey 2017-18, that shows that 70 per cent of India's export has been dominated by five states — Maharashtra, Gujarat, Karnataka, Tamil Nadu and Telangana. The Economic Survey established that states which engage with the world markets as well as with the other states within the country are richer.

Thus, the EPI 2020 sets out to assess the readiness of the states in terms of their export potential across four pillars, eleven sub-pillars, and fifty-five indicators. The four broad pillars are Policy, Business Ecosystem, Export Ecosystem and Export Performance. The central idea is to recognise the unique strengths and competitive advantages of each state, and to mould policies and practices accordingly. Further, a state may perform exceptionally well in one pillar and poorly in the other, which makes blanket initiatives insufficient in addressing the diverse issue. Efforts should be made at the grassroots as well to drive an export-led growth.

India's average score on the EPI is 39 out of 100, which shows the tremendous potential India holds towards transforming into an export-based super economy. In the state-wise assessment, Policy and Business Ecosystem are the highest-scoring pillars, with the Export Ecosystem being the least-scoring pillar. This implies India has a conducive business environment and favourable policies in place but they are not translating into a strong export ecosystem.

Some of the drawbacks obstructing export preparedness in many states are poor trade support, gaps in export infrastructure, basic trade support, lack of access to financial facility and low export credit. Delving further into the state-wise analysis shows that no state has been able to score well on every pillar, barring exceptions like Gujarat and Maharashtra whose scores do not show much disparity across pillars. In this way, many states' export potential and competitive advantages remain untapped.

There is a lot of room for improvement R&D infrastructure across the country. The index shows that this is one of the biggest challenges faced by the country as the regional disparities in terms of R&D infrastructure are high. In the context of the evolving nature of globalization that is likely to reward high-quality products and innovation more than ever before, India's cost competitiveness may not be sufficient to establish itself in the global economy, and gradual improvement in R&D would be greatly rewarding in the long run.

The rise in the use of digital technologies and Artificial Intelligence (AI) in several industries, necessitated by the pandemic has come as a game-changer. The move has accelerated the adoption of disruptive business models and innovative solutions, thus rendering traditional business models and manufacturing processes obsolete sooner than expected. Therefore, in the post-Covid world, India needs to create its own niche in the global market. Thus, it is essential to tap into the capabilities of Indian states by plugging in the gaps in policy and infrastructure. At the same time, it is also necessary that the more developed states expand their focus towards improving R&D infrastructure, with the view to create that niche. It is because R&D plays a significant role in improving the quality of products to match up to the international standards, and enables greater innovation.

As India begins on its journey of self-reliance and export expansion in these tumultuous times, the states need to take on the reins and adapt their efforts with the emerging trends in globalisation. The EPI 2020 can serve as a guide to the sub-national governments in creating an enabling framework and removing the bottlenecks that afflict their respective export sectors.

Source: outlookindia.com– Sep 01, 2020

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Govt caps key export benefit to Rs 2 crore per exporter till December

The government on Tuesday capped the benefits under the Merchandise Export from India Scheme (MEIS) at Rs 2 crore per exporter on exports made between September 1, 2020 to December 31, 2020 without changing the coverage of the scheme and the applicable rates.

It also said that the new Import Export Code (IEC) obtained on or after September 1 will be ineligible to submit any MEIS claim for exports, and the ceiling would be subject to a downward revision to ensure that the total claim doesn’t exceed the allocated Rs 5,000 crore for the period.

Under MEIS, the government provides duty benefits depending on product and country. Rewards under the scheme are payable as percentage of realised free-on-board value (of 2%, 3% and 5%) and MEIS duty credit scrip can be transferred or used for payment of a number of duties including the basic customs duty.

“In addition, it has been notified that MEIS scheme is withdrawn with effect from January 1, 2021,” the directorate general of foreign trade (DGFT) said in a notification.

The commerce and industry ministry had proposed a fresh round of incentives under the key scheme after the finance ministry said the MEIS failed to deliver the desired result of boosting exports. India's merchandise exports have hovered around $300 billion in the last five years, despite the scheme's liberal application across sectors. The liability under MEIS was around Rs 45,000 crore in FY20.

"98% of the exporters who claim MEIS will be unaffected by the changes and less than 2% exporters are likely to be affected as per analysis of claims in the relevant period of 2018-19," said an official in the know.

The move is aimed to protect genuine exporters and allow them to claim benefits for exports in the period besides reducing the possibility of fraud by taking new IEC to circumvent the cap while advance notice of four months of the end date of MEIS provides certainty for future pricing decisions.

Unaffected exporters who have already factored in MEIS in the pricing of their products do not face any change or uncertainty since neither coverage of products nor rates of MEIS will be changed, according to the official.

Source: economictimes.com– Sep 01, 2020

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Unlock: Major garment export factories back to 60-80% capacity utilisation

Garment exporters have started seeing revival of demand, which in turn has increased capacity utilisation to around 60-80 per cent. Companies said that customers are placing new orders based upon the season and number of stores they have opened globally and e-commerce is also picking up pace. They expect growth to return by early next year.

The development comes months after shipments were kept on hold by international customers due to lockdown imposed in their respective countries. This led to revenue loss during the lockdown period. But now, they have started witnessing significant recovery in the order flow from the customers since May 2020.

SP Apparels, one of the leading exporters in the country said that all the factories are operating at around 60 per cent capacity due to social distancing norms imposed by the authorities.

The company managed to address labour shortage by supporting all the migrant workers' stay and food in the hostel premises. Those who have gone also have started returning, while return of some others is restricted due to the transportation issue.

On the Covid-19 impact, the company said, besides the order flow, the Indian Rupee depreciated significantly in the fourth quarter compared to last year. This impacted company's hedged positions and resulted in hedging losses and the loss of revenue due to the pandemic is expected to impact the hedges and may see an impact in the first and second quarters also.

Rahul Mehta, Chief Mentor at The Clothing Manufacturers Association of India added, "most of the earlier cancelled orders are being reinstated to start with, and new inquiries are also being received. Most of the European as well as the US buyers are talking to exporters about lockdown situation, factory operation, and Covid-19 status. Discussions have started about the ability to supply, deadlines, amid very positive signs."

He expects exports to pick up much faster and end up with a much lower deficit compared to the domestic market, where consumer sentiments, local lockdowns, and restrictions on mall activities are still preventing a rapid recovery of the Industry.

He cautioned that today's prices may in fact show a negative trend. Dollar weakening will impact profitability. "The 2020-21 fiscal year may end up with a deficit of 20-30 per cent. It will probably show good growth in 2021-22 due to the low base of 2020-21 and market sentiments getting stronger in 2021-22."

Another leading exporter echoed a similar view, adding that today the order flow is more for the low and mid-segment garments, while high value orders are yet to see any momentum. “While volume is high, value is not very big,” he said.

Source: business-standard.com– Sep 02, 2020

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Cotton prices up 0.28% to Rs 17,780 per bale in futures

Cotton futures jumped to Rs 17,780 per bale on September 1 as participants widened their position as can be seen from open interest. Cotton futures on the Multi-Commodity Exchange (MCX) settled with a loss of 0.3 percent yesterday.

Cotton prices were higher tracking firmness in physical markets after Cotton Corporation of India suspended sales of the old crop last week.

Cotton arrival across the country has touched 26,200 tons for the period August 1-28, down 34 percent month-on-month (MoM), as per Agmarknet data.

However, weighing on the prices is the expectation of bumper crop this season due to higher acreage and no report of crop damage.

In the futures market, cotton for October delivery touched an intraday high of Rs 17,890 and an intraday low of Rs 17,660 per bale on the MCX. So far in the current series, the commodity has touched a low of Rs 16,060 and a high of Rs 18,260.

Cotton futures for October delivery gained Rs 50, or 0.28 percent, to Rs 17,780 per bale at 15:19 hours IST on a business turnover of 545 lots. The same for December delivery rose Rs 40, or 0.23 percent, to Rs 17,670 per bale on a business volume of 184 lots.

The value of October and December's contracts traded so far is Rs 5.33 crore and Rs 0.17 crore, respectively.

Kotak Securities expects cotton to trade range-bound with positive bias for this week.

Source: moneycontrol.com– Sep 01, 2020

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E-commerce rules: A one-size-fits all approach; some need to be relaxed

Online shopping in India, particularly in the FMCG sector, has gained overwhelming prominence since the pandemic, despite the initial hiccups during the lockdown. Against this backdrop, the recent rules relating to e-commerce, issued by the ministry of consumer affairs, food and public distribution, under the Consumer Protection Act, 2019, are all the more relevant. The Consumer Protection (E-Commerce) Rules, 2020, notified on July 23, regulate all commercial transactions involving goods or services, sold over a digital or electronic network by retailers in India or overseas to consumers in India.

The e-com rules currently recognise two e-commerce business models, namely, marketplace model and inventory-based model. While regulating e-commerce entities, the rules have separate specified provisions for marketplace- and inventory-based entities, and for sellers who sell on the platform operated by a marketplace e-commerce entity.

In an attempt to ensure transparency and boost consumer awareness, the e-com rules require that all information on the return, refund, exchange, warranty and guarantee, delivery and shipment of the goods or services being sold, including their country of origin, be provided on the platform. Such details enable consumers to make an informed decision in their choice of products. The focus on the country of origin requirement is significant, given that India and several other countries are currently re-negotiating their free trade agreements.

The e-com rules prohibit unfair trade practices by entities and sellers on marketplaces and manipulation of price. The term “unfair trade practice” has been defined quite widely in the Consumer Protection Act to include any unfair method or deceptive practice on the part of the e-commerce entity or seller with the intention of promoting the sale of the commodities being offered.

The entities are prohibited from manipulating the price of the goods or services to gain unreasonable profit by imposing unjustified price or charges on consumers. These regulations are crucial, particularly since even essential goods and services are currently on demand given the pandemic. That said, it remains unclear as to what would constitute price manipulation and, further, how the e-commerce entities and sellers are expected to navigate these roadblocks without falling foul of such provisions. It is relevant to note that the reference to price manipulation is contained in the definition of 'restrictive trade practice' under the Consumer Protection Act.

Other rules also seem quite onerous. For instance, both the marketplace entity and sellers are now required to set up a grievance redressal mechanism. Given the sellers on marketplaces range from artisans to large corporations, small businesses may not be in a position to comply. For the sake of consistency and uniformity in quality, it may be preferable to allow smaller organisations to either collectively have a mechanism in place or allow the marketplace entity to coordinate and consolidate such an arrangement.

The rules also prohibit an e-commerce entity from levying a charge for cancellation post confirmation, unless the e-commerce entity agrees to pay similar penal charges in case it cancels the order. While the provisions may be intended as safeguards that ensure a level-playing field, some of these conditions are impractical. Applying identical rules does not convey a business-friendly approach.

The Foreign Exchange Management (Non-debt Instruments) Rules, 2019 currently recognise the marketplace and inventory model, and permit 100% FDI under the automatic route to marketplace entities as also to those engaged in single-brand retail. Foreign investments, up to 51%, are permitted in multi-brand retail with prior government approval.

As per the non-debt rules, entities engaged in single-brand retail are permitted to undertake retail trading through e-commerce on the condition that they open a brick-and-mortar store within two years from the date it commences online retail. Retail trading, in any form, by means of e-commerce, is not permissible for entities engaged in inventory-based multi-brand retail trading and having foreign investment.

The commercial sector is anxious for India to consider relaxing some of these requirements, or extending the time period for compliance, given that brick-and-mortar operations may not be possible in the foreseeable future.

Source: financialexpress.com– Sep 02, 2020

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GST mop-up at Rs 86,449 crore in August

The goods and services tax collection in August, which pertains largely to transactions conducted in July, came in at Rs 86,449 crore, 12% lower than the amount collected a year ago, the government said on Tuesday. GST collections in July had come in at Rs 87,422 crore, or 86% of the collection a year ago.

While the first quarter GST collection in FY21 was only 59% of the same period last year, the collection improved to nearly 70% in April-July period compared with the year-ago period.

GST collections had nosedived to a record low of Rs 32,294 crore in April, which was down 72% on year, owing to the lockdown.

After regular settlement of integrated GST, revenues earned by the central government and the state governments after regular settlement are Rs 34,122 crore and Rs 35,714 crore, respectively.

To put the state GST collection in perspective, the monthly protected revenue for all states combined is `63,800 crore. The GST comprises the Centre and state components and is applied on the same base of transactions.

The cess collection for August came in at Rs 7,215 crore.

The Centre has estimated that the deficit for states against their protected revenue is likely to be Rs 3 lakh crore for the current fiscal, which after adjusting for estimated annual cess collection of Rs 65,000 crore, is seen at Rs 2.35 lakh crore. This estimate roughly assumes the gross GST mop-up/month in August-March at roughly Rs 90,000 crore.

The Centre has recently presented before the states two borrowing options to resolve the issue of revenue shortfall.

During August, the revenues from import of goods were 77% and the revenues from domestic transaction (including import of services) were 92% of the revenues from these sources a year ago, the government said. “It may also be noted that the taxpayers with turnover less than Rs 5 crore continue to enjoy relaxation in filing of returns till September,” it added.

Some states that recorded higher collection than last year include Rajasthan (1%), Uttar Pradesh (2%), Uttarakhand (7%) and Chhatisgarh (6%).

MS Mani, partner at Deloitte India, said: "Coming in the backdrop of the disappointing GDP data for Q1 yesterday, these figures indicate that the collections are on the recovery path in first month of Q2 . The fact that the GST collections on domestic transactions is just 8% lower than the same month last year would indicate a revival of economic activities. The sharp drop of 23% in the import GST could be on account of the various import substitution measures announced in recent times."

"A significant part of the dip is attributable to imports, which has witnessed a decline with the impact on international trade with this pandemic. Also, domestic collections having attained 92% y-o-y for operations in July is a sign of economic recovery post lockdown," Abhishek Jain, tax partner at EY, said.

Source: financialexpress.com– Sep 02, 2020

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August, when rail freight went into recovery mode

August is set to be the first month post Covid-19 triggered national lockdown when Indian Railways' freight loading will be higher than in the same time last year.

In August 2020 (till 27th August 2020), loading is 4.3 per cent higher at 81.33 million tonnes, compared to last year for the same month (77.97 mt), stated an official release. This is due to a number of initiatives taken to boost freight cargo, according to the official statement.

Freight speed

Railways substantially increased the speed of freight trains during the time, registering a 94 per cent increase in speed in August 2020 compared to August 2019.

Source: thehindubusinessline.com– Sep 01, 2020

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India quickly appeared as the second biggest exporter of medical textiles

In a webinar, Sakthivel, President of the Apparel Export Promotion Council (AEPC) said that India quickly emerged, due to the COVID-19 crisis, as the second biggest exporter of medical textiles.

Medical textiles are sometimes referred to as healthcare textiles as part of scientific textiles. The global medical textile industry in 2018 is estimated to hit 23,752.66 million dollars by 2025, according to estimates.

Sakthivel also said multinational corporations are interested in moving their investment from China to India because of Coronavirus. This will open up new dimensions to India and the country will be able to collect several million dollars from Europe, Australia and America.

Greg Ruggles, CEO for Several Company Firms, acknowledges that clothing companies are searching for ways to switch from China to other countries due to the divergences between the US and China.

He says India is able to produce various kinds of textiles. The online company has provided anyone from small retailers to clothing producers with an international forum. The Council has so far trained and employed 12 lakh people across India in the garbage market, according to Roopak Vasishtha, CEO, CDG, Apparel Made Ups & Home Furnishing Sector Expertise Council (AMHSSC).

This work is still in progress. The Council aims to recognize migrant workers who have returned to their hometowns to obtain expertise and to register them with the qualification scheme of the government.

Source: textilefocus.com– Sep 01, 2020

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GST collections dwindle again in August; significant fall in revenue from imports

GST collections on the month of August 2020 stood at Rs 86,449 crore, which is still much below the target. The revenues for the month are 88 per cent of the GST revenues in the same month last year, said the Ministry of Finance.

During August, the revenues from the import of goods were 77 per cent and the revenues from the domestic transactions were 92 per cent of the revenues, compared on-year. The GST revenues in August have seen the second consecutive fall after the fall in July. It is also to be noted that the taxpayers with turnover less than Rs 5 crore continue to enjoy relaxation in the filing of returns till September.

Out of the total GST collections, CGST is Rs 15,906 crore, SGST is Rs 21,064 crore, IGST is Rs 42,264 crore, and cess is Rs 7,215 crore. Also, the government has settled Rs 18,216 crore to CGST and Rs 14,650 crore to SGST from IGST as regular settlement. The total revenue earned by the central government and the state governments after the regular settlement in the month of August 2020 is Rs 34,122 crore for CGST and Rs 35,714 crore for the SGST.

“The collections in August 2020, though at 88 per cent of collections in August 2019 are still pretty decent, especially when you compare the dip in collections from July to August in 2019,” said Rajat Bose, Partner, Shardul Amarchand Mangaldas & Co. The numbers seem to be stabilizing and are expected to be in this range at an average for the next six months at least, he added.

Meanwhile, Delhi, West Bengal, Jharkhand, and Goa are among the states that faced the maximum contraction in the GST revenues, while the GST collections grew in Chattisgarh, Uttarakhand, Rajasthan, Uttar Pradesh, and Nagaland.

Source: financialexpress.com– Sep 01, 2020

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