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INTERNATIONAL NEWS

WTO tempers fall in world trade to 9.2% in 2020 on 'strong' June, July

But trade body's economists warn of sharp slowing once pent-up demand is exhausted

Bringing some cheer to exporters around the globe grappling with Covid-19 challenges, the World Trade Organization (WTO) has projected a fall of 9.2 per cent in goods trade volume in 2020, which is much less than the 12.9-32 per cent decline it had predicted in April.

The growth projection for 2021, however, is lower at 7.2 per cent compared to 21.3 per cent predicted in April, according to the WTO's revised trade forecast for 2020 issued on Tuesday.

"Strong trade performances in June and July have brought some signs of optimism for overall trade growth in 2020. Trade growth in Covid-19 related products was particularly strong in these months, showing trade's ability to help governments obtain needed supplies," said a WTO statement.

But WTO economists warned that the pace of expansion could slow sharply once the pent-up demand is exhausted and business inventories have been replenished that will add to supplies.

In case of a resurgence of Covid-19 in the fourth quarter, the outcomes could be worse than predicted. In contrast to trade, global GDP is estimated to fall by a sharper 4.8 per cent in 2020 compared to a 2.5 per cent fall projected under the more optimistic scenario outlined in the WTO's April forecast.

GDP growth is expected to pick up to 4.9 per cent in 2021, but this is highly dependent on policy measures and on the severity of the disease, the statement said.

On protectionism

WTO Deputy Director-General Yi Xiaozhun cautioned about countries resorting to protectionism.

“Trade has played a critical role in responding to the pandemic, allowing countries to secure access to vital food and medical supplies... One of the greatest risks for the global economy in the aftermath of the pandemic would be a descent into protectionism. International cooperation is essential as we move forward...,” Yi Xiaozhun said.

Source: thehindubusinessline.com– Oct 06, 2020

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US trade deficit up to $67.1 billion in August, 14-year high

The Commerce Department reported Tuesday that the gap between the goods and services the United States sells and what it buys abroad climbed 5.9% in August to $67.1 billion, highest since August 2006. Exports rose 2.2% to $171.9 billion on a surge in shipments of soybeans, but imports rose more — up 3.2% to $239 billion — led by purchases of crude oil, cars and auto parts.

The U.S. deficit with the rest of the world in the trade of goods such as airplanes and appliances set a record $83.9 billion in August. The United States ran a surplus of $16.8 billion in the trade of services such as banking and education, lowest since January 2012.

The politically sensitive deficit in the trade of goods with China fell 6.7% to $26.4 billion.

So far this year, the United States has recorded a trade gap of $421.8 billion, up 5.7% from January-August 2019.

Hammered by the coronavirus and its fallout on the world economy, total U.S. trade -- exports plus imports -- is down 15.1% so far this year to $3.2 trillion.

“Overall, trade flows remain subdued and the outlook is uncertain given a muted global growth and demand backdrop," said Rubeela Farooqi, chief U.S. economist at High Frequency Economics.

President Donald Trump campaigned on a pledge to bring down America's persistent trade deficits. He imposed taxes on imports of steel, aluminum and most products from China, among other things; and renegotiated a

North American trade pact in an effort to encourage more production in the United States.

But the trade deficit won't yield easily to changes in trade policy. As the U.S. economy recovers from springtime shutdowns, Americans are buying more imported goods while foreign demand for U.S. products remains weak.

In an unusual move, U.S. Trade Representative Robert Lighthizer issued a statement on the monthly trade deficit report Tuesday, defending the president's record. Lighthizer noted that the U.S. deficit in the trade of goods is down 2.4% so far this year and would have fallen more if it weren't for a surge in gold imports by investors using the precious metal to hedge against risks at a time of considerable uncertainty.

He also said: ”The trade deficit increased in August because America’s economy has recovered more quickly than our trade partners."

Source: journalreview.com- 08, 2020

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COTTON USA Celebrates World Cotton Day With Virtual Events Focused On A Greener World

In celebration of the second-annual World Cotton Day on October 7, COTTON USA™ is putting the natural fiber centerstage at a three-and-a-half-hour virtual event based in Latin America. The Word Cotton Day celebration will feature experts from across the globe who will cover some of the most pressing topics in the cotton industry, with a specific focus on sustainability. CCI is also putting a special focus on U.S. cotton by teaming up with 12 Latin American COTTON USA™ licensees for a “dress to take care of the world” campaign.

The International Cotton Advisory Committee (ICAC) co-established the global day in 2019 alongside four other organizations – the World Trade Organization (WTO), International Trade Centre (ITC), United Nations Conference on Trade and Development (UNCTAD) and the Food and Agriculture Organization (FAO) – as a formal recognition of the countless benefits that cotton brings to communities worldwide. The day serves as a platform designed to unite countless organizations, advocacy groups, investors and beneficiaries in order to educate fellow peers and consumers alike on cotton's current and future role in society.

"We're looking forward to having a prominent role in celebrating cotton on this day in parallel with the many other organizations participating in it," said Cotton Council International (CCI) Executive Director Bruce Atherley. "We know this natural fiber plays a crucial role around the globe, which is why COTTON USA is focusing our event on 'a greener world' within the supply chain. When looking at the future of this valuable resource, we must look at sustainability first and foremost. We hope to educate attendees on issues, innovations and more surrounding this subject."

COTTON USA's Latin American-based celebration will consist of both pre-recorded and live presentations where world experts will present innovative and sustainable initiatives designed to solve numerous global challenges faced by textile, manufacturing and retail sectors.

Specific topics covered in the event include:

- Sustainability & Innovation
- Microfiber Pollution
- The U.S. Cotton Trust Protocol
- The Circular Economy

The event will begin at 9:00 A.M. GMT-5 or 9:00 A.M. CST and is accessible to consumers and organizations across the world. All those celebrating the day are encouraged to share their appreciation for cotton through photos and videos of cotton-based products on social media via the #WorldCottonDay hashtag. Any support goes a long way in increasing cotton's visibility and showcasing its many benefits to consumers.

In addition to the event, 12 Latin American COTTON USA™ licensees will tell their many brand stories through a uniting "dress to take care of the world" campaign. Also focused on sustainability, each licensee's content will be shared on social media throughout the day. All content will be posted on Cotton Latino's social channels (https://www.instagram.com/cottonlatino/) as well for anyone interested in following along.

To learn more about World Cotton Day, visit WorldCottonDay.com and follow the #WorldCottonDay hashtag on social media during the day for highlights from our celebration as well as those across the globe.

Source: textileworld.com– Oct 07, 2020

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The Tough Lesson Apparel Could Learn From Xinjiang Cotton

Fashion brands have dipped their toes into fiber-level traceability, but this moment calls for them to dive in.

Typically, apparel initiatives to institute this level of visibility into the origin of raw materials have been limited to capsule collections or portions of a brand's collections. However, new pressures are turning traceability from a bonus to a business necessity. Sourcing Journal founder and president Edward Hertzman recently sat down with Mark Burstein, president and chief strategy officer of NGC Software, and speaker at the upcoming Sourcing Summit 2020 on Oct. 14-15, to discuss why traceability matters now more than ever.

In an effort to confront human rights abuses of ethnic and religious minorities in the Xinjiang Uyghur Autonomous Region of China, Congress has introduced legislation that would ban products from the region, including cotton. All goods coming from Xinjiang would be presumed to be produced under forced labor, and exceptions would only be made if Customs and Border Patrol could find proof to the contrary.

According to Burstein, if passed, this bill could potentially mean that brands would be considered "guilty until proven innocent," and they would need to provide documentation that no inputs within their products came from Xinjiang before goods could move into the U.S. If they can't do this, companies could be risking having products destroyed or sent back to port of origin.

Unlocking this level of verification will require a greater level of traceability than fashion is accustomed to. Burstein sees blockchain as a viable solution to more closely follow the path of a raw material to retail. To make it a reality, NGC will launch its own traceability blockchain solution next month.

Outside of the potential legal issues arising for apparel companies, traceability will be key in meeting consumer demands. The swelling interest surrounding sustainability has been a boon for brands that have environmental and social responsibility programs in place, but as more labels jump on the bandwagon, consumers have grown increasingly suspicious of claims.

"'Sustainable' has become a marketing term, and many fashion brands are using it haphazardly and irresponsibly," said Burstein. "It's reached the apex of the hype cycle and consumers are becoming skeptical and cynical of its promotion without verification."

Considering the growing number of consumers who consider the impact of their purchases before buying, being able to offer proof could mean the difference between a brand remaining relevant or fading away.

Source: sourcingjournal.com– Oct 07, 2020

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Vietnam emerges a global hub for face masks and PPE equipment

To reduce their dependence on China, many garment and textile companies have shifted their production to Southeast Asian countries like Vietnam for the last few years. However, COVID-19 has halted this process.

Vietnam Textile and Apparel Association (VITAS) discloses, till August 2020, foreign direct investment in Vietnam declined by 13.7 per cent compared to the same period in 2019. Textile and apparel exports by the country decreased 11.6 per cent during the first eight months of this year.

Vietnam is the world's third largest textile exporter after China and India. However, the industry has never been under so much pressure and changed plans so quickly as today, says Vu Duc, Giang, Chairman, VITAS. Global demand for apparels is down which impacted order volumes in all major markets.

Riding over the crisis

To survive the crisis, many textile and garment manufacturers in Vietnam have switched to mask making, informs Frank Weiand, a supply chain and localization consultant at the US Agency for International Development (USAID), Hanoi. A company fast becoming Vietnam's face of high-quality of garment manufacturing is Dony Garment.

An international exporter of protective clothing and face masks, the company fabricates uniforms and garment products on order. During COVID-19, it shifted production to protective clothing and premium quality face masks. Today, the company donates 5 per cent of its income to social welfare just like its donation of 100,000 face masks to the US.

The 3-ply face mask developed through closed sterilization technology by Dony Garment can be reused. The mask is made from antimicrobial Cotton which helps it to fight the spread of the coronavirus besides protecting it against UV light. The anti-droplet face mask's breathing resistance is human friendly. It is also eco-friendly, skin-friendly, and economical.

Dony Garments exports masks and other PPE products to six continents and countries like the US, Australia, and Europe. The company proves a good alternative for consumers to looking beyond China for PPEs and masks from China. The company books mega shipments for worldwide exports every day. Besides face masks, Dony Garments also excels in making personal protective equipment. Currently it makes protective overall and isolation gown for health workers across the world.

PPEs are certified to prescribed standards. Apart from the PPEs and masks Dony Garment also designs uniforms for healthcare workers. The uniforms are made from high-quality materials and are available at reasonable rates. Dony Garment also customizes T-shirt designs at its factories. These T-shirts are made from 100 per cent cotton and are very cool, smooth and soft.

Source: fashionatingworld.com– Oct 07, 2020

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Bangladesh Garment Sector Still Not Out of the Woods, Experts Say

As the Covid-19 pandemic continues to grip the globe and throttle supply chains, garment workers in Bangladesh are still bearing the brunt of an industry-wide slowdown that has left thousands struggling to find work and floundering on the brink of destitution.

More than 70,000 people are estimated to have been laid off after predominantly Western brand and retailers suspended or rescinded $3.1 billion worth of clothing orders and recent rebounds in textile exports have not been able to make up for the anticipated $5 billion in fiscal-year losses, according to the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), the country's largest trade group of garment factory owners.

Though factory chiefs say 90 percent of canceled orders have been reinstated, and production lines are hiring again, labor advocates say demand for jobs far surpass supply, leaving jobless garment workers with few alternatives or assistance. Workers have had to leave the manufacturing center of Dhaka and return to their villages, where they rely on food handouts from local charities.

"For every 10 workers who lost their jobs, only one is being hired," Kalpona Akter, founder of the Bangladesh Centre for Worker Solidarity, told the Thomson Reuters Foundation Friday. "This is putting the lives of thousands of workers and their families at risk, because they haven't earned for the last three to four months."

Though the industry exhibited recent signs of recovery—Export Promotion Bureau data showed Monday that shipments of ready-made clothing topped $8.13 billion from July to September—factory owners say orders are still down by two-thirds and brands are demanding discounts of 20 percent to 25 percent for previous orders.

"The turnaround hasn't been significant," said Mohammad Hatem, vice-president of the Bangladesh Knitwear Manufacturers and Exporters Association, which represents about 800 factories, told the Thomson Reuters Foundation. "We thought we would get a good number of orders before Christmas, but that hasn't happened."

Even in the first 25 days of September, prices have declined by 5.29 percent compared to the same time last year, Rubana Huq, president of the BGMEA, told Sourcing Journal. “All these would not certainly leave the factories in a better position to do good for [their] workers,” she said, though she called 70,000 workers “not a significant part” of the total workforce. While Huq does not expect the employment situation to get worse, since exports are leveling off from its prior nosedive, she would like to see greater emphasis given to “sourcing, pricing, payment and bankruptcy protection” to better prop up factories and those they hire.

Indeed, a study published last week by Brac University’s Centre for Entrepreneurship Development, the James P. Grant School of Public Health and the Subir and Malini Chowdhury Center for Bangladesh Studies at the University of California, Berkeley, found that 82 percent of the 1,057 Bangladeshi garment workers it surveyed earned less in April and May compared with February because of Covid-19’s economic fallout and a nationwide lockdown that saw workers earning—at most—65 percent of their established wages. Some 52 percent of respondents said they saved less in April and May compared with February; 77 percent said it was difficult feeding everyone in their household. Three in five workers said they were likely or very likely to get infected by the virus at their workplaces and 29 percent said they would probably contract it from their homes.

As of Monday, Bangladesh has reported more than 370,000 confirmed cases of Covid-19 and at least 5,300 deaths.

Huq says the industry needs to take a holistic view about worker concerns. “We should not also deny the fact that the factories were completely left abandoned that time by the buyers,” she said. “With no payments coming for the goods that were already shipped, with confirmed orders in different stages being stranded for several months, probably the steps taken were the best we could do to save the workers and the industry.”

“We are extremely grateful to [the] Honorable Prime Minister of Bangladesh for the great support provided to the industry through wage support loan and working capital loan which ultimately helped the industry pay the workers and keep the businesses going,” she added, referring to the Bangladeshi government’s regular disbursements to export-related industries to help pay wages and its 1-trillion-taka ($11.8 billion) nationwide stimulus package.

The authors of the Brac University report wrote that the existing sector may need an overhaul. Bangladeshi garment workers, in order to be treated with dignity, they said, need a system where they have a “safety net, adequate wages and job security.

“These are all necessary for workers’ livelihoods during normal times, but even more critical during times of extreme economic crisis and hardship, like under this current pandemic,” the authors said. “Otherwise, as we see, it is very difficult to mitigate a crisis by living hand to mouth (with inadequate nutritional intake), reducing other potential critical expenses and exhausting limited savings. All these actions have placed workers in an extremely unhealthy and vulnerable situation. We need to have a continued discussion around the adequacy of current wages.”

The garment sector, which employs 4.1 million workers and is the second-largest exporter of clothing after China, generated $34.1 billion or 84 percent of the Bangladesh’s overall exports in the fiscal year through June 2019.

Source: sourcingjournal.com– Oct 07, 2020

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Nepal seeks duty-free access to Bangladesh for 76 goods

Nepal has sought duty-free and quota-free market access for 76 goods while Bangladesh is seeking preferential treatment for 42 goods as joint secretary-level trade talks between the two South Asian countries kicked off on Tuesday.

Prakash Dahal, joint secretary at the Ministry of Industry, Commerce and Supplies, said they discussed the draft of a preferential trade agreement and the rules of origin and technicalities on the first day of the virtual meeting.

A decision on the preferential trade agreement will be finalised and signed after the secretary-level meeting scheduled for Thursday.

“Our main focus is on zero tariff for the listed goods from Nepal,” he said.

Besides customs charges, Bangladesh levies other detail charges (ODC) on Nepali goods that prices them out of the Bangladeshi market, he said.

Bangladesh has been providing duty-free access to 108 Nepali products. Nepal has been urging Bangladesh to expand the list to cover major exportable items such as tea, coffee, large cardamom, broom, fresh fruits, kattha and pashmina, among others. Items not getting duty-free access have difficulties entering Bangladesh.

“Our major concern is to eliminate those extra charges completely, and we will discuss it thoroughly,” said Dahal. “If Bangladesh is positive about this matter, the preferential trade agreement will be finalised.”

He said that signing a preferential trade agreement on additional products would increase exports and trim the trade deficit to some extent. “In our context, we will not be able to provide greater preferential treatment to Bangladeshi goods than Indian goods.

Bangladesh is looking for 100 percent customs waiver under the preferential trade agreement, said Dahal. But we have not received the final list of goods from Bangladesh, he said.

The products that are mostly exported from Nepal to Bangladesh are listed in a preferential trade agreement, and they include agro products like lentils, green vegetables and fruits, dairy products, tea and coffee, cardamom, ginger and yarn, among others.

The meeting will also review the status of the agreements between Nepal’s Department of Food Technology and Quality Control and the Bangladesh Standard and Testing Institution, and Salt Trading Corporation and Trading Corporation of Bangladesh. These pacts were signed at the fifth meeting last year.

The agreements are intended to help in exchanging standards and information on quality control between the two countries, said Dahal.

Nepal and Bangladesh are scheduled to sign a memorandum of understanding to share agriculture know-how between the Department of Agriculture Extension of Bangladesh and Nepal’s Department of Agriculture.

There are many customs procedures that Nepali farm products have to undergo in Bangladesh. Though Bangladesh has pledged to address the problem, no steps have been taken yet. “It will be one of the items on the agenda,” said Dahal.

Last year, Nepal and Bangladesh discussed direct flight connectivity through Saidpur in Bangladesh and Bhadrapur or Biratnagar in Nepal. Officials said that Bangladesh had been positive about the proposal to promote tourism and operate cargo flights for light goods. “This subject will be discussed again,” said Dahal.

Bangladesh has proposed a list of pharmaceutical products to Nepal by observing the situation on listed medicine products, which will be discussed at the conference, he said.

An agreement on Rohanpur-Singhabad railway transit has been reached, and discussions will be held about the work to be done by the two sides. This will help in cutting import costs, he added.

As Nepali students need to renew their visas repeatedly while studying engineering and medicine in Bangladesh, discussions will be held to provide visas for the duration of the course.

Bangladesh has raised the subject of visas for investors and business people. There is no provision of on arrival visa for citizens of either country travelling overland. This subject will also be discussed, said Dahal.

Source: maritimegateway.com.– Oct 05, 2020

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Bangladesh: How the backward linkage textiles industry changed our economic landscape

There is a new kid on the bloc rising in the shadows of the RMG behemoth. We can call it the next big thing after readymade garments in Bangladesh. It is the primary textiles sector (PTS) that produces yarn and fabrics for garments. To be fair, it always had a dominating presence in our manufacturing sector, but in a different role.

It was the largest import substituting industry meeting domestic demand for clothing under high protective tariffs and import quotas (pre-2000). Consequently, its products were not internationally competitive and exports were negligible or non-existent. Bangladesh was not a textile giant worthy of note, like India, Pakistan, or China.

All that began to change in the 1990s. The driving force was the confluence of entrepreneurial vision and evolution of complementary public policies that responded effectually to market opportunities created by the meteoric rise of RMG exports from Bangladesh.

RMG exports in the 1990s grew from a mere USD 624 million in FY 1990 to USD 4.5 billion by FY 2000, a 600 percent rise in a decade. But while RMG exports galloped ahead, it did so without much reliance on domestic supplies of intermediate inputs like yarn, fabrics and garment accessories.

These intermediate inputs—comprising 70 percent of RMG exports—had to be imported from countries like China, South Korea, India, and Pakistan, with imports rising from USD 435 million in FY 1990 to USD 3.2 billion in FY 2000. There was much talk about the low domestic value addition in RMG exports as the industry was largely engaged in cutting and making (C&M), the final stage in apparel production, a highly labour-intensive activity that drove Bangladesh's comparative-advantage-following (CAF) industrialisation.

The local textile industry looked askance at the massive business opportunity going overseas... but not for long. The issue was competitiveness. To be globally competitive, RMG exports needed yarn and fabrics of international quality available at competitive prices.

The local textile industries were not producing yarn and fabrics of international quality. But the new generation of textile entrepreneurs would not let this opportunity go to waste. Not only did they see the rising demand for textiles, there were also developments in the global market for textiles that drove the RMG exporters to look inwards for sourcing their raw materials.

The 1974 Multi-Fibre Arrangement (MFA), which opened global markets for Bangladesh garments, was coming to a close in 2005. The end of MFA quotas created larger market opportunities but also unleashed unbridled competition from well-heeled apparel producers.

The premonition that yarn-fabric suppliers would soon divert all supplies into their own apparel production rang alarm bells in Bangladesh apparel sector. Then there was the handicap of higher "lead time to market" for Bangladesh exporters compared to their competitors in East Asia and elsewhere.

For RMG producers, local sourcing was always an attractive proposition for "just in time" availability of intermediate inputs that would dramatically cut lead time. Could the local textile industry deliver?

As RMG has become a notable player in the global export market, it created the pull-effect of opening up sectors interlinked to the final export product, a process called backward linkage. Starting small, the backward linkage textiles industry is now a close second to the RMG sector in terms of size.

How did that happen?

Like the first generation of dynamic RMG entrepreneurs, in the mid-1990s there emerged a new generation of textile entrepreneurs who were ready to seize the opportunity created by the RMG industry. They went for new investment in export-oriented textile projects that were to produce yarn and fabrics to feed into RMG exports.

Wider access to concessional credit from the banking system, supportive tax and subsidy policies of the government to promote backward linkage activities, all combined to give a boost to backward linkage industries that included (besides textiles) production of accessories like packaging, buttons, zippers, and labels. It turned out to be a policy gamble worth taking.

A large industry has grown over the past three decades supplying intermediate inputs to the leading export of Bangladesh—readymade garments. It is the second major development, after RMG, in Bangladesh's economic landscape. This is clearly a new phenomenon in the country's economy, called "deemed exports" in local official lexicon.

Backward linkage industries to the RMG sector is another popular way of describing this industrial development. They supply yarn, fabrics and accessories embedded in exports of knit and woven garments. Over time, RMG has been relying less and less on imported inputs resulting in rising value addition based on domestic content.

The quantum of these domestic supplies is no longer insignificant as BKMEA representatives indicate that knitwear exporters source some 80 percent of their input of yarn from local textile producers. The number of yarn manufacturing mills have more than doubled—from 200 in 2000 to 433 in 2019—while spindle capacity has tripled to 13.5 billion kg of yarn.

Much of this growth could be attributed to the rapid expansion of knitwear exports which rose from USD 1.5 billion in FY 2001 to USD 16.9 billion in FY 2019 with a somewhat lesser demand pull coming from woven RMG exports of USD 17.2 billion.

But denim is another story. Denim fabric production is an entirely export-oriented activity with 60 percent of the annual denim requirement of 840 million yards supplied by 32 denim mills that have cropped up in the past 20 years or so. In addition, other cotton-based fabrics and those from man-made fibre (MMF) are increasingly catching up with demand to meet some 40-45 percent of requirement by woven garment exporters, according to BGMEA.

So, over the past 25 years, the economy has generated another USD 21-plus billion industry group whose contribution to the economy and jobs can no longer be ignored. This is no mean achievement and can no longer be relegated to just a sideshow to the USD 34 billion RMG.

It is a major policy success story promoting backward linkage—the evolution of a new internationally competitive textile industry, unlike the old textile sector that still caters to domestic demand (USD 8 billion, according to BTMA) for basic clothing but is not competitive enough to play the export card. What is notable is that this deemed export sector represents import substitution, export expansion, and export diversification all rolled into one. Here is why.

First, the import substitution part. Theoretically, a dollar saved by import substitution is equivalent to a dollar earned through exports. As part of the backward linkage industries to the RMG sector, our modern textiles are laser-focused on substituting for the massive amounts of imported yarn and fabrics. And to feed a globally competitive RMG sector with intermediate inputs means they have to be globally competitive too. This is import substitution at its best.

Second, the export expansionpart. Quite logically, yarn and fabrics (and accessories) are embedded components of the final export product, knit or woven garments, known as "deemed exports" or indirect exports. It is time to consider them as the next largest export category after RMG.

Third, the export diversification part. Export diversification is a policy priority. Export-oriented yarn, fabrics, and garment accessories—principal inputs for the apparel industry, being embedded non-RMG exports—have grown in tandem with the rise of RMG. We can call it export diversification of the Bangladesh kind. This export-oriented primary textile sector is now the predominant part of the textile industry.

To conclude, we have come a long way since the days when RMG exports used to raise the spectre of a highly import-intensive activity generating very little foreign exchange net of import content.

The strategy of developing backward linkage to the dynamic RMG sector has produced results—another feather in the Bangladesh policy cap. No longer can the primary textile sector be dismissed as a non-competitive domestic market-oriented industry.

It is now predominantly an export-oriented sector, a case of import substitution leading to export orientation. This is exactly the import substitution outcome trade economists have been looking for.

Source: thedailystar.net– Oct 08, 2020

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NATIONAL NEWS

India gets its first ever Brand & Logo for its Cotton on 2nd World Cotton Day – A Historic Day for Indian Cotton!

Smt. Smriti Zubin Irani, Union Minister of Textiles and Women & Child Development launched the 1st ever Brand & Logo for Indian Cotton on 2nd World Cotton Day on 7th October, 2020 through Video Conferencing. Now India's premium Cotton would be known as 'Kasturi Cotton' in the world cotton Trade. The Kasturi Cotton brand will represent Whiteness, Brightness, Softness, Purity, Luster, Uniqueness and Indianness.

KASTURI COTTON INDIA

Speaking on this occasion, the Hon'ble Minister said, this is a much awaited moment that TODAY the Indian Cotton has been endowed with a Brand & Logo. This event becomes more important as the 2nd World Cotton Day is being celebrated world over today.

The Minister recounted the importance of Cotton in Indian economy. She said, 'Cotton is one of the principal commercial crops of India and it provides livelihood to about 6.00 million cotton farmers. India is the 2nd largest cotton producer and the largest consumer of cotton in the world.

India produces about 6.00 Million tons of cotton every year which is about 23% of the world cotton. India produces about 51% of the total organic cotton production of the world, which demonstrates India's effort towards sustainability.

Smt. Irani said that to ensure sustainability, integrity and end-to-end traceability of the organic products, a certification system based on comparable international standards verified through internationally acceptable institutional system is required to be put in place.

Accordingly, Ministry of Textiles through APEDA under Ministry of Commerce and Industry has prescribed a certification system for organic Cotton which will be introduced in phases in the entire textile value chain.

Similarly, prescribing a certification system for non-organic Cotton has also been taken up with APEDA so that usages of cotton can be suitably augmented.

The Minister stated that Cotton Corporation of India (CCI) made ever highest Minimum Support Price (MSP) operation of cotton and hopeful that during the new cotton season, the procurement under MSP will be increased.

CCI has opened 430 procurement centres in all cotton growing states and payments are being made digitally to farmers' account within 72 hours. Further, leveraging the technology, a mobile app, "Cott-Ally" has been developed by CCI for providing latest news regarding weather condition, Crop situation and best farm practices.

Discount of Rs.300/- per candy is being offered by CCI in its regular sale to MSME mills, Khadi and Village industry, Cooperative sector mills to enhance their competitiveness and efficiency. It was also stated that cotton may be used across all dimension of Technical Textiles.

Further, Hon'ble Minister has intimated that Government has passed bills for the welfare of the farmers, which also be beneficial to the industries.

Hon'ble Minister graced the inaugural session of the webinar organised by TEXPROCIL and CITI on the theme of "NEW-LOOK COTTON" to facilitate exchange of ideas on the emerging scenarios in cotton usage and application.

Source: pib.gov.in– Oct 07, 2020

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Certification system for organic cotton planned: Smriti Irani

Textiles minister Smriti Zubin Irani on Wednesday launched the ‘Kasturi’ brand name for Indian cotton and said the government is working on a phased introduction of a certification system for organic cotton across the entire value chain.

“Ministry of textiles in pursuit of the agenda of cotton farmers and cotton product manufacturers...have pursued with the ministry of commerce and industry a certification system for organic cotton to be introduced in phases in the entire value chain,” Irani said at a virtual event organised by the Confederation of Indian Textile Industries, Cotton Corporation of India and The Cotton Textiles Export Promotion Council.

The minister also said the government is looking at prospects in emerging fields like personal protection equipment (PPE) where cotton can be leveraged from across the dimension of technical textiles.

At the same event, textiles Secretary Ravi Capoor said certain ‘markers’ have been developed in conjunction with the Agricultural and Processed Food Products Export Development Authority (APEDA) for branding Indian organic cotton, and it is in the last stages of finalisation.

Irani also said she was hopeful that the Agricultural reform bills passed recently by Parliament will strengthen cotton opportunities for Indian farmers.

Highlighting that the Cotton Corporation of India undertook one of the largest minimum support price operations in the previous cotton season, Irani said she was hopeful of even better prospects for farmers this year when the cotton procurement season begins, with over 430 centres operational across the country.

Capoor said India, whose strength is cotton, needs to move to new areas such as the organic cotton which are supported by the climatic zones. Noting that India produces 40% of global cotton, he said: “Cotton is India’s strength and will always be but as the world moves to new fibres, we should be ready...to move to new areas which are supported by the climatic zones and that is organic cotton”.

Source: economictimes.com – Oct 07, 2020

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Shri Piyush Goyal says Trade & economy most important pillars of India- European Union partnership

Hopeful of working with EU towards a FTA;

India can be the trusted partner and countries can work with India for robust & sustainable global supply chains

Union Railways and Commerce & Industry Minister Shri PiyushGoyal has said that Trade & economy is one of the most important pillars of India-European Union (EU) partnership. Addressing the Diplomatic & Industry Leadership Session on EU-India Collaborative Economic Growth today, he said that we are also hopeful of working with EU towards a FTA, possibly starting with a Preferential Trade Agreement for an early harvest to get faster outcomes.

Shri Goyal said that under the Prime Minister Shri NarendraModi, we have furthered our relationship across the European Union.India was one of the first countries to develop diplomatic relations with the EU & extend our hand of friendship."Our friendship with the people of EU & the chemistry between PM Modi& various leaders of EU member countries is indeed remarkable.

Our partnership surpasses political, innovation & cultural collaboration. We are both very natural partners willing to engage as responsible global citizens to address very pressing global challenges.We believe EU & India are 2 very important stakeholders when it comes to finding solutions for pressing matters."

The Minister called for strengthening 3-R approach that EU & India are using: Re-energise, Re-invent and Re-orient. He said that removing barriers to trade between Europe & India is essential to move forward. Shri Goyal said that EU is India's largest trading partner block, with about $105 billion trade in goods in 2019.It is also the 2nd largest destination for Indian exports.

He said "We believe we have to work towards balanced, ambitious & mutually beneficial trade & investment agreements. During the 15th India-EU summit in July 2020, we had adopted the EU-India strategic partnership which will guide our co-operation in the future."

Shri Goyal said that to combat the COVID crisis, India & Europe worked together whether it was for adequate supply of medicines to different European countries or other goods required tobattle coronavirus. He said that through the lockdown, our Information Technology sector continued to serve businesses in Europe, without any interruption.

"We met all our international obligations & therefore, India is looked upon as a trusted partner of the EU. India can be the trusted partner to move away from single source supply chains and countries can work in partnership with India for robust & sustainable global supply chains. During the pandemic, India never let down any of our friends.", he added.

On the Covid-19, Shri Goyal said that when it came to addressing the problem in India, we moved swiftly into lockdown so that we could save lives & as we were able to prepare ourselves to fight COVID. "We started unlock process from June. As we move from protecting lives to saving lives & livelihoods, we have evolved as per the emergent situation.We can see benefits of that in having one of the highest recovery rates in the world & one of the lowest fatality rate. We have one of the highest recovery rates in the world."

The Minister said that as we have opened up the economy, we are seeing that India is rapidly turning around, restoring its economic situation, rapidly coming back to normalcy. Recently, we have removed all restrictions on export of N-95 masks & Personal Protective Equipment. In the month of September, in the goods & merchandise sector, we have grown by 5.27% over the corresponding period of last year. Power consumption is up by 4.6% in September 2020 year on year.

On the world trade also, India's presence is felt. In goods & merchandise sector, in September 2020, we have grown by 5.27% over the same period last year. In the month of September and in the 1st 6 days of October, Railway freight has grown by 15% over the same period last year. He said that Indian economy is poised not only for normalcy but for growth in the years to come given that Prime Minister has offered Aatmanirbhar Bharat package for relief to the people & the industry.

The Government has embarked on a series of reforms in Agriculture, labour, defence, space technology, mining, energy.

Source: pib.gov.in– Oct 07, 2020

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India cotton yarn exports to benefit from low cost of raw material: Report

Even as India''s cotton yarn exports to China have declined to around 20 per cent due to lower demand, the country could still benefit following the low-cost raw material availability and presence of its textile players in the US, according to a report.

Indian yarn players have high export dependence on China, which reduced to around 20 per cent in the three months ended June 2020, on account of a lower demand and growing competition from Vietnam and Pakistan, India Ratings said in the report.

However, the trade-war (between the US and China) extension and labour-related issues could lead to the creation of additional yarn and cotton demand from neighbouring countries to the tune of 0.5 million tonnes and 8-10 million bales.

Ind-Ra said countries such as Pakistan and Brazil have a pole position compared to India due to their preferential status. However, India can get a share of the pie, given the low-cost raw material availability and established presence of Indian textile players in the US, it added.

The agency said the shift in demand could lead to a healthy recovery in credit metrics and ease of liquidity stress for exporters in 2020-21, the Ind-Ra report added.

Meanwhile, the rating agency further stated that the Withhold Release Order on cotton and apparel imports from specific producers in Xinjiang Uygur Autonomous Region (XUAR) might escalate global trade tensions and thus have negative implications on the Indian textile sector in the short run.

However, it could be beneficial in the medium term, Ind-Ra added.

There is a risk of further sanctions by the US government on curbing imports of the products originating from or having linkages with XUAR, Ind-Ra said.

Further, the report stated that importers in the US are likely to be concerned about any economic, legal or reputational concerns on any of their supply chains linked to XUAR.

The US imported USD 7.35 billion of apparel products from China during January-July 2020, while China exported around 20 per cent of its overall apparel exports to the US in the first quarter of 2020-21.

The report stated that any impact on the China textile industry would flow down to Vietnam directly, impacting capacity utilisations.

Given that Vietnam''s textile industry has strong dependency on China, it is equally vulnerable to have supply chain linkages with the tainted XUAR region, the report stated.

Vietnam may cater additional cotton yarn production of around 0.4 million tonnes to meet Chinese demand.

However, incremental cotton or yarn sourcing could be from India, given the logistic and cost advantage.

During the calendar year 2020, India exported 8 per cent of its total cotton produce to Vietnam, the Ind-Ra report said.

While China''s woven apparel exports to Vietnam increased during the fourth quarter of 2019-20 and first quarter of 2020-21 by around 61 per cent, veiled shipments have helped it to avoid the additional tariffs imposed by the US in the past year.

Shipments from Bangladesh to the US also recovered in the second quarter of 2020-21 with a jump in the overall market share.

Additionally, severing of ties by global retail brands such as H&M, Lacoste with China on account of labour issues along with the ongoing US-China trade war has benefitted Indian ready-made garment (RMG) exporters in the form of additional orders.

The agency believes that the vacuum space created would be positive for Indian RMG exporters and help them to tide the impact of pandemic for 2020-21.

Further, the home textile segment has reported increased inquiries from the US for sourcing diversification, it added.

Source: outlookindia.com– Oct 06, 2020

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‘Cotton Corp to procure 125 lakh bales’

Centre says it has spent over ₹1.90 lakh cr in 2019-20 to procure rice, wheat on MSP

The government, reeling under intense farmer protest,s particularly in Punjab and Haryana, has announced enhanced procurement targets for rice and cotton during the current kharif marketing season and stated that it has spent over ₹1.90 lakh crore in 2019-20 for procuring rice and wheat on MSP.

Announcing cotton procurement targets for the season, for the first time, Textile Secretary Ravi Capoor said the state-owned Cotton Corporation of India (CCI) would procure 125 lakh bales (one bale is 170 kg) of cotton, which is 20 lakh bales more than the 105 lakh bales procured in the previous season.

Capoor, who briefed the media along with Agriculture Secretary Sanjay Agarwal, Food and Public Distribution Secretary Sudhanshu Panday and Food Corporation of India (FCI) CMD, DV Prasad, assured the farmers that the CCI would be willing to procure any amount of quality cotton that farmers bring.

Procurement assurance

Similarly, FCI chief Prasad said rice procurement target for the current kharif marketing season is set at 497 lakh tonnes (lt), which is 18 per cent more than 420 lt procured in the previous marketing season. Besides, there has been a substantial increase in procurement of rice during the 2019-20 rabi marketing season (RMS). As compared to 64 lt in the corresponding season, rice procured during the 2019-20 RMS was nearly 90 lt.

In the current season, 15,26,534 MT of paddy having MSP value of around ₹2,882 cores has been procured from 1,27,832 farmers of Haryana, Punjab, Chandigarh, Uttar Pradesh, Kerala and Tamil Nadu as on October 6.

The government fielded the top officials mainly to allay the concerns expressed by the agitating farmers that the government may do away with the MSP regime with the recent passage of three farm Bills.

Reassuring the farmers, the officials said the Narendra Modi government's record on procurement has been exemplary.

Modi govt record

The FCI chief said that the government spent ₹1,90,380 crore for procuring wheat and rice in 2019-20 as against ₹1,33,617 crore allocated in 2016-17. Besides, the government payout for rice and wheat procurement in the current financial year so far was ₹1,20,155 crore, which is a whopping 53 per cent more than the corresponding period in the previous fiscal.

According to Capoor, the CCI has earmarked a sum of ₹35,000 crore for procuring cotton this year, which is ₹6,500 crore more than that in the previous year.

Agriculture Secretary Agarwal said the total area under kharif crop this is 1,095 lakh hectares (lh), 10 lh more than the previous record of 1,085 lh. He said the area under oilseeds, pulses and rice has gone up by 18 lh, 7 lh and 4 lh, respectively, as compared to last kharif season.

He said there has been substantial increase in procurement targets set and achieved by the Modi government compared to the previous UPA government. In paddy procurement alone, the government transferred ₹4.95 lakh crore to farmers during the last five years, 2.4 times more than the ₹2.06 lakh crore spent during the five years of the UPA-2.

Similarly, the Modi government spent 98 times and 17 times more funds on procurement of pulses and oilseeds, respectively, during the same period as comapared to the second UPA regime.

Source: thehindubusinessline.com– Oct 07, 2020

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Indian textile companies to benefit from US-China trade war

Vacuum space created by restrictions could help Indian garment exporters, says report

The simmering trade war between the US and China is expected to throw open fresh opportunity for the Indian textile industry. The US recently issued a Withhold Release Order on cotton and apparel imports from specific producers in the Xinjiang Uygur Autonomous Region which may escalate global trade tensions.

The US imported $7.35 billion of apparel products from China during January-July 2020, while China exported around 20 per cent of its overall apparel exports to the US in first quarter of this fiscal, said an India Ratings and Research report.

On the other hand, China depends on the US for raw cotton. China may retaliate by cutting down on cotton procurement from the US, leading to favourable supplies from Brazil and India, both of which are likely to have high inventories. While demand from the US could impact the overall cotton demand in China, the value-addition could gradually move out of China to other geographies.

Competition

Indian yarn companies' dependence on China had reduced to about 20 per cent in the June quarter due to growing competition from Vietnam and Pakistan. India Ratings and Research believes Pakistan and Brazil have a pole position compared with India due to their preferential status. India's cotton yarn exports declined 28 per cent y-o-y in FY20 to ₹19,600 crore due to a 53 per cent fall in demand from China.

Moreover, severing of ties by global retail brands such as H&M and Lacoste with China on account of labour issues, along with the ongoing US-China trade war, have benefited Indian ready-made garments exporters in the form of additional orders.

The agency believes that the vacuum space created would be a positive for Indian garment exporters and help them tide over the impact of pandemic.

Furthermore, the home textile segment has reported increased inquiries from the US for sourcing diversification.

Source: thehindubusinessline.com– Oct 06, 2020

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Textile secretary urges millers, traders to not corner CCI while buying cotton

As the Indian government readies itself for a big cotton procurement operation beginning this month, textile secretary Ravi Capoor has urged traders and millers to not put the Cotton Corporation of India (CCI) in a difficult situation as in the last season.

The government agency, the largest holder of cotton in the country, had to take a loss as it offered big discounts to liquidate its 2019-20 stock, after buyers stayed away from its tenders for the first half of the year demanding discounts.

The secretary was speaking at an industry webinar, where union minister for textiles Smriti Irani launched India's first national cotton brand, seeking to create a unique identity for Indian cotton in the world market.

The new brand, Kasturi, is extra-long staple (ELS) length (30 millimetres) cotton with less than 1.7% trash content and a moisture level of up to 8%.

"Our government is prepared to open 430 procurement centres this season as the country stares at a second consecutive year of bumper cotton production," Irani said at the event, organised jointly by the CCI, Confederation of Indian Textile Industry (CITI) and the Cotton Textile Export Promotion Council.

Despite being the largest cotton producer in the world, India did not have its own official cotton brand. The trade, though, had created the Sankar-6 brand of 28 mm staple length, which mostly goes for exports.

Capoor asked the industry to enter into long-term contracts with farmers for the ELS cotton, taking advantage of the new farm reforms, to reduce the dependence on imported ELS cotton.

The government procurement of cotton in the 2019-20 season at the minimum support price was the highest ever.

Minister Irani said the government was prepared to open 430 procurement centres this season, as the country expects a second consecutive year of bumper production.

Though India is having huge cotton stocks and demand has reduced due to Covid-19, the industry is upbeat about new opportunities.

CITI chairman T Rajakumar said, "As there is 25% to 30% drop in cotton consumption across the global as well as in India due to Covid-19 pandemic, excess cotton stock to the tune of three to four times of normal stock level would be a challenge for India and the ministry is already taking necessary steps to boost the exports of all products across the value chain, apart from increasing the consumption domestically."

However, he said cotton face masks and cotton lining materials in personal protective equipment, and increased medical textiles consumption, had opened "very good opportunities" for India.

Source: economictimes.com – Oct 07, 2020

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Government extends RoSCTL scheme

The government has extended Rebate of State and Central Taxes and Levies (RoSCTL) scheme upto March 2021. The move will bring positive sentiments among garment and made-ups exporters, who were reeling under cash crunch, said analysts.

The RoSCTL scheme has been the backbone of policy support for the industry and will surely restore not just the competitiveness of the industry, but also positive sentiments for achieving higher export targets.

The scheme rebates embedded taxes including central excise duty on fuel used in transportation, embedded CGST paid on inputs, purchases from unregistered dealers, inputs for transport sector and embedded CGST and compensation cess on coal used in the production of electricity.

According to the government, the move will bring positive sentiments among garment and made-ups exporters, who were reeling under cash crunch, said analysts. This scheme has been the backbone of policy support for the industry and will surely restore not just the competitiveness of the industry, but also positive sentiments for achieving higher export targets.

Source: fashionatingworld.com– Oct 07, 2020

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Gujarat cotton farmers expect good exports despite low sowing

Despite low sowing of cotton in Gujarat, traders are anticipating bright export prospects this season, in the wake of subdued prices in India compared to the global market.

With over 30% share in the total production of cotton in the country, Gujarat is one of the leading states in cotton trade. Sources in the cotton trade say that due to the Covid-19 pandemic, many cotton growers have diversified to groundnut and hence, sowing in the state is almost 14 to 15% lower in the current season compared to last year.

“Cotton prices in India are hovering around Rs 35,500 to Rs 36,500 per bale (170 kg per bale) compared to global price or around 39000 per bale. This competitiveness in price would give an edge to local traders in the international market,” says Avadhesh Sejpal, a leading broker in the cotton trade.

Bharat Boghara, president of Ginners Association of Gujarat is cautious and says that the traders are anticipating good exports after Diwali, but all depends on quality of fresh cotton arrival as well as demand from the global textile industry.

On an average India’s total production is around 3.7 crore bales (170 kg per bale). Last year due to heavy procurement by CCI, the central government agency already had record stock of around 1 crore bales, which means nearly 30 per cent carry forward stock would be dumped in the market in coming days. Gujarat based ginning mills pressed around 1 crore bales last year.

This year, it would be around 80 lakh to 90 lakh due to lower sowing. Compared to last year's Rs 1,100 per 20kg MSP, the government has fixed Rs 1,155 for the current season. Despite the hike in the MSP, prices of Indian cotton are likely to remain low compared to other cotton growing countries, experts adding that it would give an edge to Indian exporters.

Sources in the cotton trade say that generally Gujarat is exporting 10 lakh to 15 lakh bales of cotton every year. According to them, during the current season also the trend would continue despite the pandemic.

Last season, the quality of cotton was hampered due to the Pink Bollworm menace. This year state agriculture department as well as farmers have taken adequate care to prevent this disease and hence quality of Indian cotton would be better compared to previous year.

Source: financialexpress.com– Oct 06, 2020

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India-EAEU ties to put a nail to China's future expansion

Ever since it pulled out of the Regional Comprehensive Economic Partnership, India has been pushing for a Comprehensive Economic Partnership Agreement (CEPA) with the Eurasian Economic Union (EAEU). The agreement would help India boost relations with EAEU members besides helping it counter China's growing influence in the region. India is been supported by Russia in this initiative, reports Statecraft.

A Russia-led free-trade bloc boasting a population of 180 million and a GDP of $1.9 trillion, EAEU boasts of Belarus, Armenia, Kyrgyzstan, and Kazakhstan as its member countries with Uzbekistan and Tajikistan also planning to enter the union.

India aims to build ties with Central Asian countries through the Connect Central Asia Policy to provide them with infrastructural support for setting up universities, hospitals, and telemedicine and IT centers; entering joint commercial ventures; and improving connectivity to facilitate joint scientific research, trade, and security partnerships. India aims to support projects on its non-disputed territories, like the Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline project, the International North-South Transport Corridor (INSTC), and the Chabahar Port project.

India aims to particularly form strategic partnerships with Russia and Kazakhstan. It has already built close ties with Russia in the fields of science and technology and now aims to strengthen ties in defense and nuclear energy. India has also signed treaties for strategic and military corporation with Kazakhstan and has military and educational interests in Tajikistan and Kyrgyzstan.

Capturing entire Eurasia

To capture all of Eurasia, India needs to extend its influence to all of Eurasia, including the CIS countries by signing a Free Trade Agreement (FTA) with the EAEU. Latest data from Indian Directorate General of Foreign Trade reveals, until now, India has exported goods worth $1,539,617 million to five EAEU member states while it has imported goods worth approximately $5.759 million. Since the formation of EAEU, India's exports of non-basmati rice and oilseeds to Russia have increased multifold times and it has lately started exporting egg powder also.

CIS countries also eye an FTA with Indian pharma and textile companies. Such an FTA or CEPA would make Indian textiles more competitive besides enhancing its corporation in the fields of mining equipment and vehicles. In December last year, Russian President Vladimir Putin announced plans to outsource the construction of one of Russia's most advanced helicopters to India. This would speed up Russia's and Eurasia's supply of defense capabilities to India.

Countering the Chinese threat

One of the reasons, India pulled out of the RCEP was its skepticism over China's role in the agreement. Indian companies feared that China might thwart Indian businesses by flooding the market with cheap Chinese goods. However, these traders do not expect the EAEU to disrupt the presence of Indian manufacturers in the domestic market.

Though China has emerged as a geopolitical force in the EAEU region, India's presence would blunt its future expansion. India's corporation with the EAEU can strengthen its involvement in Eurasia and improve economy, thus weakening the Chinese influence.

Source: fashionatingworld.com– Oct 06, 2020

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FTA: New Rules of Origin meant to curb duty evasion, but Indian importers will bear onerous compliance burden

International trade and commerce are critical to sustaining economic development of a country. To attain a high growth momentum, a country must engage in trade negotiations and agreements at multilateral, regional, and bilateral levels. India has been a party to several bilateral and regional trade agreements, and quite a few important ones are under negotiations and slated to be finalised soon. However, India's experience with the trade agreements has so far been mixed:

Favourable trade balance mostly in the case of smaller partners, and deficit with the larger ones. This, coupled with the fact that trade agreements have been misused by availing preferential duty rate against the import of goods that did not meet the originating criteria, have only added to the government's list of concerns.

To check the trade imbalance and misuse of duty benefit, the government has adopted a two-pronged strategy: Initiate renegotiation of trade agreements with partners; and legislate additional measures to check duty-evasion. Upon realising that the renegotiation of trade agreements entered with the government of a foreign country or economic union is likely to be protracted, the government has swiftly initiated legislative measures to deal with the misuse of trade agreements.

Earlier this year, the Customs Act was amended to provide for the administration of rules of origin under the trade agreements. To supplement the newly inserted provisions under the Customs Act, the government has recently notified rules for the administration of Rules of Origin under trade agreements. This latest rule, which has become effective from September 21, prescribes the guidelines and procedures to be followed by the importer while claiming a preferential rate of duty in terms of a trade agreement.

A significant feature of the new rules is that it makes it mandatory upon importers—claiming a preferential rate of duty—to possess information demonstrating how the 'country of origin' criteria stand satisfied. The rules empower the Customs authorities to requisition information about the fulfilment of the country of origin criteria for verification of certificate of origin. It will require the importer to disclose not just the production process concerning the imported goods, but also confidential information about the goods. Generally, the importer is neither privy to the production process nor in a position to demand the information.

Further, with the introduction of the new rules, a mere certificate of origin will not suffice for claiming a preferential rate of duty under FTAs. Instead, the importers will be required to ensure the value addition and possess and submit information and documents showcasing compliance with the rules of origin. While these latest measures are to curb duty evasion, importers, in general, will bear the brunt of the onerous compliance prescribed under the rules. Any non-compliance with the rules could result in liability in the form of underpaid tax and administrative penalties.

The new rules will require the importers who hitherto were availing preferential tariff rates to undertake a duty benefit versus compliance and risk assessment. It may lead some importers to either restructure their supply chain or even opt-out of the preferential tariff rate in favour of the most favoured nation (MFN) duty rate.

This latest move by the government is also inconsistent with the trade facilitation measures adopted by other countries and trading blocks. For instance, as a method of proof for the rule of origin, a self-certification system is introduced under the US-Japan Trade Agreement.

Further, a self-certification scheme has also recently been implemented under the ASEAN Trade in Goods Agreement. The self-certification enables a certified exporter to make an origin declaration on certain commercial documents such as the invoice, bill of lading, delivery order, or packing list.

The need of the hour is to simplify the procedures and bring down the transaction cost. At the same time, importers must understand and apply correct trade agreement rules so that use of preferential tariffs can withstand scrutiny by Customs during post-entry audits and origin verification. The endeavour must be to ensure compliance with the Rules of Origin requirement by having internal mechanisms and processes, without making the existing trade agreement unworkable.

Source: financialexpress.com– Oct 08, 2020

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India may first ink a preferential trade agreement with EU: Piyush Goyal

India is open to the idea of a preferential trade agreement with the EU to get faster outcomes before hammering out a more ambitious free trade agreement (FTA) that is being negotiated since 2007.

Addressing a session on EU-India Collaborative Economic Growth on Wednesday, commerce and industry minister Piyush Goyal said India is hopeful of working with the EU towards an FTA, "possibly starting with a preferential trade agreement for an early harvest to get faster outcomes", according to an official statement.

At the India-EU Summit in July, Prime Minister Narendra Modi had called for further bolstering ties with the EU, cutting across several areas of mutual interests, including trade, investment and climate change.

After 16 rounds of talks between 2007 and 2013, negotiations for an India-EU FTA were stuck due to differences, including on EU's insistence that India cut import duties on auto parts and wine and strengthen intellectual property rights regime and Indian demand for more liberalisation in services and greater flexibility on data privacy. India also feels the flexibility shown by it in further opening up to foreign investments in dozens of sectors in recent years should be considered positively by the EU.

Both the sides, however, were trying to revive the trade talks earlier this year when the Covid-19 hit, forcing authorities to shift focus to tackling the pandemic.

A duty-free access to the EU will make Indian exporters highly competitive there. For instance, Indian yarn, fabrics and garments attract export duties of 4%, 5% and 9.6%, respectively, in the EU, while competitors like Bangladesh and Pakistan export there at zero duty. Of course, a EU without a major market like the UK doesn't hold the same promise as in the pre-Brexit era.

Nevertheless, a potential PTA, to start with, seems like the recognition of the fact that instead of waiting for the resolution of all the contentious issues to ink a full-fledged FTA, it's better to clinch a limited deal on the points of convergence and then move on to a more ambitious one.

The EU is of great strategic importance to India and was New Delhi's largest trading partner (as a bloc) in 2018. India's bilateral trade with the EU in 2018-19 stood at $115.6 billion with exports valued at $57.17 billion and imports worth $58.42 billion. Trade in services was valued at $40 billion, with India enjoying a slight surplus.

Source: financialexpress.com– Oct 08, 2020

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Govt removes export curbs on N-95 masks

The government on Tuesday removed export curbs on N-95 masks, to promote outbound shipments of the product.

"The export policy of N-95/FFP-2 masks or its equivalent is amended from restricted to free category, making all types of masks freely exportable," the Directorate General of Foreign Trade (DGFT) said in a notification.

In August, a monthly export quota of 50 lakh units was fixed for N-95/FFP2 masks or its equivalent for issuance of export licences to eligible applicants.

Source: thehindubusinessline.com– Oct 06, 2020

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Advantage India

Global economic scenario is in its favour now

It is really interesting times in India at the moment. Since the beginning of the year 2020, almost $20 billion investments have come into the country from some of the top technology companies of the US, such as Google, Facebook and Amazon. This is one of the most decisive moments in the Indo-American relations as the US-based companies formulate to benefit from the growing digital market In India.

According to the UN Conference on Trade and Development (UNCTAD), India was the 9th largest recipient of foreign direct investment to the tune of $49.97 billion. This was a 13 per cent increase from the $44.36 billion in the previous year when India was ranked 12th in FDI receipts. For the months between April and July 2020, the foreign direct inflows were to the tune of $20 billion.

In the last few months, the Centre has opened up several key sectors such as defence, space and agriculture. And, there are several more sectors such as healthcare, energy, infrastructure, and civil aviation that offer huge investment potential.

What works in India's favour?

Firstly, in size, India has the potential to almost replicate the market that China would offer to any prospective investor. India is the fifth-largest economy with a GDP size of $2.94 trillion and is the fastest growing trillion dollar economy in the world. In 2019, it overtook the UK and France.

In the post-Covid scenario, most countries are apprehensive about investing more in China and many have even contemplated migrating to similar destinations. The Centre is making a serious effort to get additional investments in India by offering tailor-made solutions, land at a cheaper rate and faster approvals.

There are a couple of things that work in India's favour. The country offers a ready consumer market for several migrating industries. India's consumer market has already reached a figure of $1.5 trillion and is expected to touch a figure of $6 trillion by the year 2030. It is expected to be the third-largest consumer market in the world in the next 10 years after the US and China. India needs to look for newer markets and get into bigger collaborations if it aims to take advantage of the present market conditions.

Changing world dynamics

The recent Israeli-UAE deal brings in more good news to the Indian shores as the country would get an opportunity to leverage its position to create a stronger geopolitical footprint.

Both Israel and the UAE have been India's strategic partners and its better equations in the Arab world would always be beneficial in the long run. India, too, at this juncture considers collaborating with some of the big players like the US, the UK, Russia and Japan to boost bilateral trade.

India has a liberal FDI policy that has also undergone several administrative reforms in the recent past. Barring a very few sectors, it has opened up most of the sectors for foreign direct investments. It is also taking substantial steps in introducing transparency in the tax procedures, installing confidence in investors as part of its larger reforms agenda.

There may have been setbacks due to the Covid pandemic but India has emerged as an ally that the powerful nations of the West won't hesitate to shake hands with. The country must forge multiple bilateral agreements and aggressively invest to make it a $5-trillion economy.

Source: thehindubusinessline.com– Oct 06, 2020

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Baby steps in GST

Sweeter GST offer to States and relaxed filing norms for small units are welcome steps

The GST Council's Monday meeting was able to make slight progress in two respects: simplifying the return filing process and taking a tentative step forward in resolving the impasse over compensation cess. The Centre struck the right note by accepting the demand of some States and raising the compensation payable under 'option one' from ₹97,000 crore to ₹1,10,000 crore.

Under this option, States can borrow through a special window of the Reserve Bank of India and the entire principal and interest on the borrowing would be borne out of the cess. Option 2 involves the States borrowing the entire shortfall of ₹2,35,000 crore from the market , with the interest being borne by them.

While 21 States have opted for the first option, the remaining (largely Opposition-ruled) have opposed the terms. The latter States should concede that the unprecedented economic crisis caused by the pandemic could not have been foreseen in 2017, when the 14 per cent annual increase in GST revenues to States was written into law.

The Finance Minister has promised that all the dues of the States will be settled through the extension of the compensation cess beyond June 2022. The Centre has released ₹20,000 crore of compensation cess collected this year. Pragmatism would dictate that the opposing States accept the reality and not insist on an escalation to the dispute redress mechanism, which would delay and complicate the process for all States at a time when their need for funds is immediate.

The intent to move towards auto-populated returns and invoice matching can go a long way towards checking tax evasion and improving revenue collection. From next January, taxpayers would have to provide details required in the GSTR 1 return alone, regarding outward supplies.

Other data pertaining to input tax credit will be captured from the suppliers and the net tax payable will be shown in the GSTR-3B return. These measures, when viewed along with requirement for businesses with turnover exceeding ₹500 crore to file e-invoices from October, show that the GST return filing system is trying to move back to its original design — of ease of compliance and improved collection.

Providing leeway to smaller businesses with turnover less than ₹5 crore to file returns on a quarterly basis from next year, is a good move. With almost 93 per cent of the 1.3 crore GST registered taxpayers having less than ₹5 crore of annual turnover, this move will provide relief to the majority of the businesses, cutting down their compliance costs to a third. However, there could be glitches for a few quarters.

With small taxpayers filing quarterly returns, input tax credit could get blocked for larger taxpayers (who file on a monthly basis). Yet, the step may lead to larger companies coaxing their suppliers to be more compliant in filing returns. Overall, the recent changes could further the shift of entities from the unorganised to organised sector, so far stalled by loose implementation.

Source: thehindubusinessline.com– Oct 06, 2020

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Centre says will procure paddy, cotton worth Rs 175,000 crore in 2020-21

The government on Wednesday said it plans to purchase rice and cotton worth almost Rs 175,000 crore in the next few months, speaking out ahead of its proposed meeting with 31 Punjab farmer organisations protesting against new laws freeing up agriculture trade.

“Punjab along with Haryana, together contribute around 40 per cent of the rice and wheat procured for the Central pool,” agriculture secretary Sanjay Agarwal told reporters in a briefing attended by his counterparts from the ministry of food and consumer affairs, textiles and the Chairman of Food Corporation of India (FCI).

Agarwal reiterated the government’s statement that the minimum support price mechanism will remain. PTI reported that farmer groups from Punjab have rejected the government's invitation for talks.

Agarwal said since September 26 around 1.5 million tonnes of rice has been procured from 37,000 farmers in Punjab and Haryana and a more than Rs 2800 crore has been transferred into their accounts.

This is around 23 per cent more than the paddy procured during the same period last year.

Farmers in Punjab, Haryana and some parts of Western Uttar Pradesh have protesting three Acts passed by Parliament, fearing that the legislations which facilitate out of mandi transactions without any tax will lead to withering away of the procurement system.

The All India Kisan Sangharsh Coordination (AIKSCC), a conglomeration of over 100 farmer groups, protested at the residence of Haryana's Deputy Chief Minister Dushyant Chautala demanding he clear his stance on the bills.
Congress leader Rahul Gandhi too has been holding strong protests against the bills and has promised farmers in Punjab to withdraw the acts if Congress comes to power in the Centre.

Opposition-ruled states of Punjab, Rajasthan and Chhattisgarh, meanwhile are planning to pass laws in their state assemblies that will prohibit any purchase whether inside or outside the mandis at below the minimum support price.

Other states such as Odisha, Maharashtra and Telangana have also constituted committees to study the provisions of the Acts and there are looking at ways to minimize its impact, while Punjab has decided to approach the Supreme Court challenging the bills.

Meanwhile, on procurement, the union agriculture and food secretary said that apart from rice and cotton, the Central government is also planning to purchase around 3.2 million tonnes of pulses, oilseeds and copra from the farmers of Telangana, Tamil Nadu, Maharashtra, Gujarat, UP, Andhra Pradesh etc.

In case of cotton, the union textiles secretary said that the Cotton Corporation of India (CCI) is planning to purchase 12.5 million bales of cotton from farmers in 2020-21 season that has started from October, which is almost 16 per cent more than the purchases done in 2019-20. (1 bale=170 kilograms)

“Last year, we transferred around Rs 28,500 crore as MSP to farmers while this year, we plan to transfer around Rs 30,000 crore to farmers,” textiles secretary Ravi Capoor said.

Cotton production in 2020-21 is estimated to be 36 million bales, which is marginally more than 35.7 million bales last year.

“We are duty bound to procure all the cotton that meets our quality specifications which is it should have less than 12 per cent moisture content and wherever there have been reports of rejection of cotton it is due to high moisture content,” Capoor said.

Punjab and Haryana, which are also major cotton producing regions, 38 procurement centres have been opened which is more than last year.

Source: business-standard.com– Oct 08, 2020

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Fashion retail brand H&M India's revenue rises 14% to Rs 1,700 crore

Fashion retail brand H&M registered Rs 1,700 crore sales in 2019, 14 per cent higher year-on-year (YoY) from Rs 1,490 crore it had posted a year ago. Since its entry in 2015, the Swedish brand has managed to grow its business in India by double digits.

However, in 2019, its growth fell significantly from the previous year. In 2018, its top line had grown 43 per cent.

According to its country manager for India, Janne Einola, in the current year, its top line may suffer.

With the Covid-19 pandemic and lockdowns severely impacting on-floor shopping, Einola expects to end the year at a lower level than last year.

"During the first nine months, we have suffered sales loss to the tune of 31 per cent. Currently, our operations here are at the 50 per cent level. I don't think we will be able to touch last year's sales numbers in 2020," he said. H&M follows a December to November financial year calendar.

The impact was also felt on its short-term plans. While in 2018 and 2019, it had opened eight and 12 stores, respectively, this year it is opening only two outlets in Bhubaneswar and Lucknow. This will take its store count to 48, spread across 23 cities in India.

While H&M was heavily dependent on the online channel for sales, the recent crisis has increased its dependence on the channel further.

In 2019, it got nearly a quarter of its sales from the two online channels – Myntra marketplace and its own online store. "The share of online will continue to remain high for the moment, until the situation normalises," said Einola.

To support its business, H&M is launching its global loyalty programme in India and hopes that it will bring more consumers on board.

Source: business-standard.com– Oct 08, 2020

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