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NEWS CLIPPINGS

INTERNATIONAL NEWS

IHS Markit Predicts American Economy Will 'Bounce and Fade'

Get ready for the "bounce and fade" economy until a coronavirus vaccine is available in 2021.

IHS Markit economists framed their forecast that way in a new outlook for U.S. economic growth. Joel Prakken, chief U.S. economist and co-head of U.S. economics, and Chris Varvares, co-head of U.S. economics at IHS Markit, also predicted U.S. gross domestic product (GDP) to pass the pre-pandemic peak in early 2022 and regain full employment in 2023.

"Recent data imply third-quarter real GDP growth near 30 percent, stronger than we anticipated previously," Prakken said. "This [bounce] encouraged us to upwardly revise our forecast for growth in 2020 from negative 4.8 percent to negative 4 percent.

However, after the third quarter we expect GDP growth to fade, as catch-up spending wanes, federal and state and local fiscal support dissipates and stubbornly high Covid-19 infection rates leave states cautious about re-opening their economies and encourage continued caution by consumers and business independent of official containment measures."

Real GDP contracted 31.7 percent in the second quarter, according to the Bureau of Economic Analysis' second estimate. This was slightly better than the advance estimate of a 32.9 percent decline, but still the sharpest quarterly decline on record.

IHS said data through July left GDP positioned to grow 29.6 percent in the third quarter, up from 23.4 percent forecast last month.

Prakken said the forecast assumes emergency unemployment benefits of $300 per week are extended from September through December, and another round of checks is sent to households this fall. Congress was back in session on Tuesday and NBC News and other outlets reported that a "skinny bill" compromise was being pushed that included those unemployment benefits, but not much else.

"The recovery will be at renewed risk early in 2021 when this income support expires," Prakken said. "However, we assume a vaccine becomes available in mid-2021, allowing a more viable recovery to finally then take hold."

Varvares and Prakken said they expect growth to "fade" to just 2.5 percent in the fourth quarter, "as catch-up spending wanes, fiscal support dissipates, and daily COVID-19 infections remain stubbornly high."

"Still, for the year, we project GDP growth of negative 4 percent, up from negative 4.8 percent in last month's forecast," they said. "Based on guidance from our Life Sciences team, we assume a vaccine is available by mid-2021, allowing the economy to accelerate then. We project growth of 3.5 percent in 2021 and 3.6 percent in 2022."

Source: sourcingjournal.com– Sep 09, 2020

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Japan's economy shrinks 28% in 2Q, worse than 1st estimate

Japan's economy shrank at a record, even worse rate in the April-June quarter than initially estimated. The Cabinet Office said on Tuesday Japan's seasonally adjusted real gross domestic product contracted at an annualised rate of 28.1 per cent, worse than the 27.8 per cent figure given last month.

The coronavirus pandemic, which has people staying home, restaurants and stores empty or closing, and travel and tourism nose-diving, has hurt all the world's economies and many companies. But it has slammed Japan's export-reliant economy.

Restoring growth will be a priority as the country prepares to choose a new leader to replace Prime Minister Shinzo Abe, who is resigning for health reasons. A vote among governing party members is expected next week.

Other data released Tuesday showed cash earnings improving somewhat, and consumer spending and other business activity is expected to rebound following the sharp drops as the country sought to bring the coronavirus pandemic under control.

“However, high-frequency data show that growth is struggling to gain pace, suggesting a very gradual and protracted recovery after the initial bounce. The near-term outlook therefore remains challenging,” Oxford Economics said in a commentary.

Quarter-on-quarter, the economy contracted 7.9%, according to the revised figures, down from 7.8 per cent in the preliminary data. The annual rate shows what the number would have been if continued for a year.

The Cabinet Office said the government began keeping comparable records in 1980. The previous worst contraction, a 17.8 per cent drop, was in the first quarter of 2009 during the global financial crisis. But anecdotally the latest drop is considered the worst since World War II. Japan had already slipped into recession in the first quarter of this year, contracting by an annualised 2.3 per cent. It shrank 7.0 per cent in the final quarter of last year.

Recession is generally defined as two consecutive quarters of contraction. Growth was flat in July-September of last year. Domestic demand contracted even worse in this year’s second quarter, as private investment fell. Public demand, driven by government spending, also fared worse than thought earlier.

Abe has centred his “Abenomics” policies around keeping the economy going through super-easy lending and deregulation. The approach relied mostly on monetary easing by the central bank and helped to end years of deflation. But it never attained the sustained growth rates Abe had targeted. All of the candidates to replace him are expected to keep most of those policies in place.

Source: financialexpress.com– Sep 09, 2020

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USA: Textile, Cotton Industries Press Congress for CBTPA Extension

The National Council of Textile Organizations (NCTO) and National Cotton Council (NCC) sent a letter to the chairs and ranking members of two key congressional committees on Wednesday voicing support for a timely extension of the Caribbean Basin Trade Partnership Act (CBTPA) that expires on Sept. 30.

The House Ways and Means Committee's Subcommittee on Trade is set to hold a hearing on Thursday on the trade preference program.

The organizations said CBTPA has provided a structured system of textile and apparel duty preferences for certain countries, most notably Haiti, since it was implemented in 2000. NCTO and NCC said the U.S. textile and cotton industries see significant benefits from the program, which has helped establish an export market for U.S.-grown cotton, U.S.-spun yarn and other textile materials of U.S. origin.

The U.S. content rule contained in CBTPA provides a mutual benefit to the U.S. industry and the Caribbean Basin region economies. The associations said their support is contingent upon the trade program not being tied to other unrelated and harmful trade and tariff provisions.

The NCTO and NCC sent the letter to House Ways and Means chairman Richard Neal (D.-Mass.) and ranking member Kevin Brady (R.-Texas), Senate Finance chairman Charles Grassley (R.-Iowa) and ranking member Ron Wyden (D.-Ore.).

The letter follows one sent last week by a collation that included the American Apparel & Footwear Association, the Footwear Distributors and Retailers of America, National Retail Federation, Council of Fashion Designers of America, the Accessories Council and the Outdoor Industry Association to United States Trade Representative Robert Lighthizer urging CBTPA's renewal.

According to data from the Office of Textiles and Apparel, imports from Haiti decreased by 33.65 percent to 128.37 square meter equivalents (SME) in the first half of the year and declined 35.32 percent in value to $304.92 million. CBTPA, also known as the Caribbean Basin Initiative that includes other island nations, posted apparel imports to the U.S. of 986.49 million SME in 2019, an increase of 11 percent increase over 2018.

Source: sourcingjournal.com– Sep 09, 2020

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How The Pandemic Has Changed China's Fashion Industry

The COVID-19 pandemic has created real challenges for the Chinese garment industry. The global apparel supply chain has slowed down, and the internal market, which was already suffering because of the China-US trade war, had to overcome new constraints thanks to factory shutdowns at home as well as travel bans and quarantine measures across importing nations.

According to Apparel Resources, China's market share in the US apparel import market alone fell to a mere 21.3 percent this February. The country also saw a loss of $1.19 billion in textile and apparel export shipments to the US in the first half of 2019, primarily due to the trade war.

Apparel Resources also highlights how the trade relationship between the US and China has become more fractured. According to their data, the US was China's largest export market for textiles prior to the outbreak, with roughly 18 percent of China's textiles exports going to the country.

China was also the largest exporter of textiles and apparel to the US, accounting for 38 percent of the nation's total imports. Similarly, Apparel Resources emphasizes that there is an additional challenge: the rise of global competitors. China's loss of market shares has boosted apparel exports from other Asian suppliers like Vietnam (18.8 percent so far in 2020 versus 16.2 percent in 2019) and Bangladesh (9.1 percent so far in 2020 versus 7.1 percent in 2019).

The South China Morning Post singles out research by the United States Fashion Industry Association — which surveyed 25 fashion retailers in the second quarter — which found that sourcing diversification has become the new norm. In fact, 29 percent of the executives polled said they now source more from Vietnam than China, which is up from 25 percent in 2019.

To cope with these tensions and weak demand, Chinese textile producers have slashed their prices. “The unit price of the US apparel imports from China dropped from $2.25 per square meter last year to around $1.88 in the first half of 2020,” says the South China Morning Post. “Prices offered by Chinese suppliers have been around 30 percent lower than other Asian countries this year.”

Meanwhile, domestic demand is also witnessing significant changes. And the textile and clothing industry is embracing the premiumization trend. That has catalyzed business disruptions.

How can textile manufacturers navigate the “new normal”?

Chinese textile producers are resilient, and they’ve adapted faster than their competitors to challenging new realities. To a certain extent, it seems that Chinese manufacturers have been preparing for this new reality for the past few years and have fast-tracked digitalization while employing direct to consumer strategies.

Moving online has allowed many textile companies — including small-batch manufacturers from lower-tier cities — to capture the benefits of e-commerce while bypassing the middleman and arriving directly to the consumer. Through Aliexpress and Amazon, Chinese manufacturers have found a way to sell directly to overseas buyers.

Cross-border, direct-to-consumer commerce is the future of the fashion industry because it creates value for the customer by cost-cutting measures that don’t undermine product quality. Instead of settling for lower profit margins and increased costs via resellers, a manufacturer can now take his products straight to the buyer.

A second trend that was rapidly expedited in post-pandemic China is sustainable consumption. Osmud Rahman, Benjamin C.M. Fung, and Zhimin Chen write in their article Young Chinese Consumers’ Choice between Product-Related and Sustainable Cues —The Effects of Gender Differences and Consumer Innovativeness that “as people become more affluent, they do not necessarily search for a product merely based on its functional and monetary benefits, but also its aesthetic, altruistic and ecological values.”

The authors highlight how wealthy consumers are comfortably meeting basic life needs, so they "have more opportunity and greater freedom to search for products with intangible/added values (less materialistic/pragmatic), such as sustainable or recyclable products."

Today's consumer mindset puts ethical manufacturing and eco-friendly practices first. Consequently, Chinese manufacturers have implemented product diversification strategies while including a range of bio-products as part of their production lines. Sustainable and recycled fibers, green product development, and eco-design innovation have become "the new normal."

Moreover, the eco-friendly movement has brought about a shift from standardized, large-volume manufacturing to customized production. Personalization processes, made-to-order, and customization all constitute bespoke experiences, and global consumers have embraced manufacturers that offer these services.

Source: jingdaily.com– Sep 08, 2020

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USA: Transparency in the Denim Industry begins with Traceable Fibers

The denim industry is in the midst of an information revolution. For years, the supply chain, brands, retailers and consumers relied on blanket terms like "organic," "recycled" and "eco" to decipher whether a garment is sustainable, resulting in the prevalence of greenwashing. Third-party auditors and certification programs—like the Global Organic Textile Standard, Bluesign and Cradle to Cradle—have been called upon to help validate sustainable claims within the supply chain, but the requirements, in large part, remain veiled by industry speak, forcing consumers to accept information at face value.

But times are changing. This year alone has brought a series of unfortunate events that are, in turn, forcing the fashion industry to own up to the injustices, falsehoods and bad practices it has turned a blind eye to for decades. Thanks to social media, consumers, more than ever, are plugged into the validity of the stories and values brands are marketing to them, and traceability is one way they can fact-check these claims.

In the denim industry, conversations about transparency begin with traceable fibers. “Traceability provides the accountability and transparency of origin and quality, as well as environmental and social impact of fibers,” said Tricia Carey, Lenzing’s director of global business development for denim.

The viability, quality and growing practices of cotton crops around the world vary greatly. “As a consequence, buyers of cotton deserve to know where their cotton comes from and how it was grown, both in terms of environmental practices as well as labor standards,” said Jennifer Crumpler, e3 Cotton manager and fiber development manager at Bayer CropScience.

In this sense, traceability provides transparency for mills, brands, retailers and consumers. “For many years, the different stakeholders throughout the entire fiber value chain have not fully understood each partner, and we work every day to provide that education, awareness and understanding to everyone,” she said.

Each season, however, there is greater access to information and the technology to share, and brands are willing to pull back the curtain and provide that information. As Carey pointed out, “What is there to hide?”
How traceable fibers work

Lenzing made inroads in circularity with the 2017 launch of Refibra, the first cellulose fiber featuring recycled material on a commercial scale. The fiber also introduced a new identification system that makes it possible to identify the Refibra fiber in the finished textile. To make Refibra, Lenzing blends wood pulp and upcycled cotton pulp, which is then dissolved with a solvent. A fiber identification is added to the fiber during this solvent stage.

This identification information can be verified at four global testing labs Lenzing utilizes for fabric certification. All certified fabrics are registered in Lenzing’s “e-branding database,” through which retailers apply for a license to use the Refibra Technology brand name. The certification is valid for two years.

While the circularity of upcycled cotton is the most important factor for Refibra, fiber identification assures brands of the recycled content, Carey explained. Many brands have made public commitments to recycling or reducing their impacts, and the fiber identification in Refibra substantiates these claims.

Demand for traceable fibers is primarily driven by 100 percent sustainable fibers pledges made by the world’s top 100 fashion brands, said Amit Gautam, CEO of TextileGenesis, the maker of Fibercoins traceable technology. “It’s not possible to tell a credible sustainability story without underpinning it with transparency and traceability,” he said.

TextileGenesis digitizes fiber volume at the point of origin, thereby controlling the amount of authentic sustainable fibers entering the supply chain network. It creates a complete digital chain of custody across all supply chain tiers from fiber through to retail, saving the entire network time and the cost incurred from using paper or PDF transaction certificates, Gautam explained.

Since 2019, Lenzing has collaborated with TextileGenesis to use its blockchain technology to support its Tencel branded fiber business, ensuring the complete transparency and traceability of its fibers in the finished garment for brands and consumers. “The technology of TextileGenesis is more than just traceability, as it can also review the impact and efficiency of the supply chain,” Carey said. “Matching physical fiber identification with digital blockchain provides the ultimate checks and balances.”

Traceable technology company FibreTrace has been developed to ensure every member in the supply network has the ability and opportunity to partake in the technology from raw fiber to spinner, weaver, dyer, manufacturer, brand and customer through to reuse and recycling.

The company’s data provides real-time verifiable insight, which FibreTrace director Danielle Statham said allows for a single, reliable view of the truth. “We can display scientific data surrounding raw fibers and create a unique passport of the item to be read and tracked at every stage of the supply chain from farm to shelf and beyond,” she said.

The FibreTrace system uses patented nanotechnology particles embedded in cellulose fiber. These fibers can be mixed into any natural or man-made fiber at the very start of the production process with no impact on texture or performance. The fabric can be dyed, washed, bleached and lasered with no damage to the tracing particles. They will still be instantly readable using handheld scanners at any stage in the supply chain, so users can verify the entire supply chain in real time.

Each audit is recorded on the blockchain, ensuring the information is secure, accessible and irrefutable. The data, Statham described, creates an actionable AI-powered supply chain offering valuable business insights. “We hope to create access to one of the world’s largest databases of sustainable product manufacturing,” she added.

Oritain takes a different approach to traceable technology. Founded in 2008, the company has transitioned from being a traceable technology for meat and agriculture products, to working with some of the largest cotton producers in the world, including Cotton USA.

Instead of relying on a traceable additive to existing fiber, Oritain technology determines a fiber’s “fingerprint” by analyzing its trace elements and isotopes, which are elements that exist naturally in all living things and are impacted by their direct environment, like climate conditions and rainfall, according to Ben Tomkins, Oritain business development manager U.K.

The fingerprint, which can be audited to check authenticity, can provide information about the fiber’s country of origin, farm of origin and region of origin. This, Tomkins noted, means Oritain is scalable, flexible and can be implemented immediately into existing supply chains.

Bayer CropScience’s e3 Cotton program is designed to trace cotton from the field in which it is grown through to finished garments or home goods. “We utilize a database collection service called MyFarms that provides not only traceability from the individual field through to the cotton gin, but allows us to collect key cotton growing metrics for each farmer in our program so that growing practices are made transparent to cotton buyers,” Crumpler said.

Data collected includes the origin of the cotton grown (at the field level), as well as sustainability measures in seven key areas: water efficiency, pesticide management and usage, soil and fertility management, greenhouse gas reduction, energy conservation, worker health and safety, and identity preservation. The data can be accessed by textile mills, brands and retailers at no cost with the permission of e3 sustainable cotton.

“Today, more than ever before, brands, retailers and consumers want to know they are receiving legitimate products that have been made responsibly and live up to their claims,” said Jean Hegedus, The Lycra Company sustainability director. “Having a system in place that can track and trace products is critical to that effort.”

The Lycra Company has several initiatives related to traceability. Lycra fibers have a unique tracer embedded in them so they can be identified throughout the distribution chain all the way to the consumer, she explained. This includes the firm's recycled fiber offerings. The entire EcoMade family of products—Lycra, Lycra T400, Coolmax and Thermolite EcoMade fibers—has attained GRS certification.

"This standard allows users to track and verify the content of recycled materials throughout the supply chain and also includes stringent environmental, social and chemical requirements," Hegedus said.

In the traceability sphere, Cotton Incorporated's role is largely to advise the industry on the development of tools. The not-for-profit research organization serves as "an agnostic analyst of the efficacy and viability of technologies related to traceability and as a convener of supply chain decision makers," said Jesse Daystar, Ph.D., Cotton Incorporated vice president and chief sustainability officer.

Every bale of U.S. cotton is connected to High Volume Instrument (HVI) data that includes the physical characteristics of the bale's cotton fiber, including length, uniformity, micronaire (an indicator of maturity and fineness), strength and color.

All that data is then associated with a Permanent Bale Identification (PBI) tag unique to that specific bale of cotton. "The PBI is important as it provides access to the fiber data for matching fiber qualities at the mill level, as well as providing the ginning location," said Vikki Martin, Cotton Incorporated vice president of fiber competition. A bale management system is linked to the PBI data, giving spinning mills the ability to control raw fiber material.

Currently, the entire U.S. cotton industry is working with the supply chain to develop the U.S. Cotton Trust Protocol. This voluntary program will help document and encourage farming sustainability practices to meet the nation's 10-year sustainability goals while creating systems that enable brands to meet their sustainable fiber sourcing goals by using U.S.-grown cotton, Daystar explained.

"This system will work with the PBI and blockchain technology to create and track U.S. Cotton Trust Protocol bales as they become incorporated into the supply chain," Daystar said.

Cost of traceability

The key to increasing cotton traceability at scale, Daystar said, is to create systems that introduce minimal or no additional cost into the supply chain. Some brands have overcome many technical and financial hurdles already, investing the time and resources to create traceability in their supply chain. And programs like the U.S. Cotton Trust Protocol are exploring their role in improving supply chain traceability, he noted.

However, geographically diverse supply chains, combined with the fact that cotton is purchased on a quality basis, don't make this an easy task.

"As we look towards the future, I suspect the industry will be agile, increasing their focus on shorter and more transparent supply chains to mitigate risks from future supply disruptions," Daystar said.

Certainly, tracer technologies will continue to evolve while new technologies are being developed, Hegedus said, but implementation cost and complexity are likely to play a role. The cost of sustainability remains a hurdle for many companies throughout the supply chain, but for many, innovations like traceable fibers represent the only way forward.

"It is very hard to put a value on anything you cannot measure," Statham said, adding that FibreTrace's cost is minimal at 5 cents to 10 cents per pound of cotton or raw fiber. "Depending on volume when this is spread across a brand's product category, we have worked hard to make the cost of FibreTrace almost negligible, particularly when we understand what true transparency really equates to," she said.

And the implications of not having a robust, scientific traceability solution in place, Tomkins noted, can have substantial financial, reputational and operational effects on a business.

Building a critical mass of sustainable fiber producers and brands will be key for scalability, Gautam said. And if done well, he said supply-chain traceability can actually lower costs and improve efficiency across the supplier network. "Suppliers and brands can focus on more value-added activities instead of manually reviewing each product for valid traceability certificates and the constant back-and-forth communication across the entire chain," he added.

Denim demands

As the denim industry works to clean up its image, traceable fibers will become an integral part of brand storytelling. “It goes without saying that the denim market is particularly keen on understanding where their cotton comes from and how it was grown,” Crumpler said.

Denim brands, she said, are prepared to use traceability in their communication to consumers, and those that already do so have garnered positive reactions. Crumpler said promoting the traceability angle increased jeans sales and, as a consequence, helped to sell more cotton, thanks to transparency. “I think that this is a very crucial turning point for many brands, and the decisions they make over the next few years will have lasting consequences,” she said.

Traceability is increasingly becoming an essential line item. A number of brands and retailers are requiring partners to hold certain certifications as a threshold for doing business, Hegedus said. “Similarly, research indicates a growing number of consumers want to know what’s in their clothes, who made them…so we see brands responding to this,” she added.

According to Fashion Revolution’s 2020 Fashion Transparency Index, brands are moving in the right direction. Of the 250 brands and retailers reviewed, the non-profit found that 40 percent are now publishing a list of their first-tier manufacturers. However, few are sharing details. Half of the reviewed brands are mapping at least one full raw-material supply chain, usually cotton, viscose, wool, recycled polyester, leather or rubber. Certification systems, blockchain and DNA technology are the common tools they use to achieve traceability, Fashion Revolution said.

Transparency forces accountability, which results in change, according to Fashion Revolution. Next year, the organization hopes to see 50 percent or more of brands publishing a supplier list and still more disclosing their processing facilities, mills and raw-material providers further down the tiers of the supply chain. “We know that exploitation tends to thrive in hidden places, which is why focusing on transparency beyond the first tier will become increasingly important,” the organization stated.

Companies are successfully using traceable technologies today to tell a real story about their garments—how they were made and who made them. Everlane, Mud Jeans, G-Star Raw, Wrangler and The R Collective are among the labels working to pull back the curtain and share details about the suppliers and factories that bring their businesses to life.

Though the technology facilitates the storytelling, Hegedus said consumers care less about the tech itself. Brands, she suggested, should focus on product assurance and the “human element” that traceability provides. It should answer such questions as, ‘is this product from a brand that is aligned with my values? And ‘was it made in a responsible way?’, she said.

FibreTrace technology allows consumers to interact with brands through augmented reality that leverages product labels and in-store FibreTrace scanners. “When every fiber tells a story, brands can enforce a sustainable change through the power of accountability,” Statham said. By engaging with the technology, consumers will “feel part of the positive change.”

The company is currently working closely within the supply chain, including numerous “mainstream” denim brands across the globe that Statham said lead the industry in sustainability.

“The denim industry has generated enormous positive impacts of transparency of its supply chain,” she said. “We are very proud to be working with some of the most brilliant minds of the denim industry and learn collectively to bring to the market a product that restores trust, shares insights and integrity.”

Future fibers

Many believe the COVID-19 pandemic will only further accelerate existing efforts to create a more sustainable and transparent supply chain.

Sustainability, Tomkins said, will be used to regain consumer trust post-pandemic and offer a means for brands to differentiate their value proposition following an initial slump in sales. “The recent outbreak has only heightened our minds to the impacts and fragility of a globalized world,” he said.

The financial strains caused by the global pandemic will force consumers to re-evaluate their purchases and give their money to companies they feel they can trust. In turn, Crumpler said the coronavirus will likely create consumers who are even more demanding when it comes to understanding the origin of their clothes.

"And this will likely happen, not just as an emotional response to the coronavirus, but as a proactive way of better understanding the environment in which we live on the planet," she said. "I think the coronavirus has allowed, or in many cases, required end consumers to understand the consequences of every decision they make, and their fiber choices should be just as important as their food choices."

Carey said traceability across all fibers will continue to take root. "One of the key learnings from the coronavirus is that we are globally interconnected," she said. Knowing a product's origins and keeping supply chains accountable are of paramount importance. "Consumers want to know more about their purchases and traceability is part of the storytelling," she added.

And as clothing companies begin to rebuild their businesses, the savviest will take an honest look at the policies they have in place and how they can better themselves for the sake of their employees, consumers and environment.

"We have all rewired our businesses and interactions within daily life and there has most definitely been a spotlight on integrity and truth," Statham said. "Transparency of best practice will be a critical advantage in any part of the supply chain and our view is that adaptation of data-driven transparency will be more critical than ever moving forward."

Source: sourcingjournal.com– Sep 09, 2020

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UK introduces Internal Market Bill to protect trade

The UK government has introduced in Parliament today a new Bill to protect jobs and trade across the whole of the United Kingdom after the Transition Period ends. The UK Internal Market Bill will guarantee companies can trade unhindered in every part of the UK, ensuring the continued prosperity of people and business across four parts of the UK.

From January 1, 2021, powers in a range of policy areas previously exercised at an EU level will flow directly to the devolved administrations in Holyrood, Cardiff Bay and Stormont for the first time. This will give the devolved legislatures power over more issues than they have ever had before, including over air quality, energy efficiency of buildings and elements of employment law, without removing any of their current powers.

Once the Transition Period ends, rules that have regulated how each home nation trades with each other over the past 45 years will fall away. Without urgent legislation to preserve the status quo of seamless?internal trade, rules and regulations set in Scotland, England, Wales and Northern Ireland could create new barriers to trade between different parts of the UK, unnecessary red tape for business and additional costs for consumers. Data shows that the combined total sales from Scotland, Wales and Northern Ireland to the rest of the United Kingdom were worth over £90 billion in 2018, an official press release said.

The UK Internal Market Bill will avoid uncertainty for business by creating an open, fair, and competitive market across the United Kingdom, ensuring regulations from one part of the country will be recognised in another. "Each devolved administration will still be able to set their own standards as they do now, while also being able to benefit from the trade of businesses based anywhere in the UK. The rules in this bill will also bind the UK Government when acting on behalf of England in areas of devolved competence," the release said.

"For centuries the UK's internal market has been the cornerstone of our shared prosperity, delivering unparalleled stability and economic growth across the Union. Today's Bill will protect our highly integrated market by guaranteeing that companies can continue to trade unhindered in every part of the UK after the Transition Period ends and EU law falls away," UK business secretary Alok Sharma said.

"By providing clarity over rules that will govern the UK economy after we take back control of our money and laws, we can increase investment and create new jobs across the United Kingdom, while our maintaining world-leading standards for consumers, workers, food and the environment.

"Without these necessary reforms, the way we trade goods and services between the home nations could be seriously impacted, harming the way we do business within our own borders.

Now is not the time to create uncertainty for business with new barriers and additional costs that would trash our chances of an economic recovery," Sharma added.

The Bill will also enable the UK Government to provide financial assistance to Scotland, Wales, and Northern Ireland with new powers to spend taxpayers' money previously administered by the EU. From January 2021, the UK will be able to invest in communities and businesses nationwide with powers covering infrastructure, economic development, culture, sport, and support for educational, training and exchange opportunities both within the UK and internationally – much of which were previously done at an EU level.

The transfer of powers from the EU to the UK Government will complement and strengthen existing support given to citizens in Scotland, Wales, and Northern Ireland by the devolved administrations, without taking away their responsibilities. The proposals will allow the UK Government to meet its commitments to deliver replacements for EU programmes, such as a UK Shared Prosperity Fund, replacing bureaucratic EU structural funds and at a minimum match the size of those funds in each nation.

The Bill will also set out limited and reasonable steps to ensure that the government is always able to deliver on its commitments to the people of Northern Ireland.

The UK Government has also laid out plans to establish an independent monitoring body, the Office for the Internal Market (OIM), to support the smooth running of trade within the United Kingdom. The body will sit within the Competition and Markets Authority (CMA) and provide independent, technical advice to Parliament and the devolved administrations on regulation that may damage the UK's internal market.

The reporting and monitoring role undertaken by the OIM will be non-binding and carried independently from ministers and devolved administrations, ensuring impartiality and transparency when developing its evidence. Where there is a matter of dispute, the OIM will ultimately provide such reports to the UK Parliament and each of the devolved legislatures and it will be for these bodies, supported by their respective administrations and intergovernmental processes, to determine how to take action in response, minimising the need to seek court action.

"The new independent Office for the Internal Market will stand ready to provide technical advice to the UK Government and Parliament and the devolved administrations and legislatures on the smooth running of trade within the United Kingdom. The CMA will ensure that the OIM fulfils its role with professionalism, impartiality and analytical rigour," said CMA CEO Andrea Coscelli.

Source: fibre2fashion.com– Sep 09, 2020

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Bangladesh: A bad year for RMG

Can the sector bounce back?

On March 11, the World Health Organization proclaimed that Covid-19 was a global pandemic. There are now about 27 million confirmed cases of the coronavirus globally and 325,000 cases in Bangladesh alone.

Countries had to shut everything down to contain the spread of the deadly virus. As a result, many industries took a hit and are still going through a period of recession. Nobody knows exactly how long it will take for these businesses to recover from the loss that they have suffered.

Our textile industry right now is facing the biggest problem. Bangladesh is well known for its RMG sector, as it is the second-largest exporter in the world. Bangladesh has exported to over 132 countries for the last three decades.

Covid-19 has left a great impact on the garments industry, and on the life of the garments workers, especially in regards to their financial crisis and health issues. This pandemic situation has disrupted the whole supply chain.

Brands and companies haven't paid their dues yet, and for that reason, owners are unable to pay their workers properly, which has resulted in a complete disaster. Besides, foreign buyers are using this pandemic as an excuse to cancel their orders without monetary compensation.

In this situation, online delivery systems are at a high demand, but the problem here is the supply chain. Bangladeshi companies import tons of products from China, but this is not entirely possible now, as both countries have not opened their borders to the full extent.

A story was published in May in a renowned national daily reporting that parents had to sell their newborn baby, as they were unable to pay the hospital bills of Tk25,000.

Both parents were working in a garments factory, and because of lockdown, they had no work to do to support their essential needs. But somehow, the local police played a major role here by saving the child and returning it to the parents.

On March 25, the PM announced an impetus package to deal with the pandemic situation. She made a budget of Tk500 crore for the garments sector, and advised the factory owners to use this to pay the workers.

Unfortunately, they did not pay the full wages for the duration of March and April, which made the workers come to the streets and protest.

Covid-19 has increased the risk of slave labour. The crisis has led to a collapse in the global demand for clothing. A number of brands and retailers are taking advantage of this situation. They are ruling over suppliers and workers by cancelling their orders, delaying payments, and by demanding discounts.

Sad but true -- these companies include well-known brands such as C&A, Primark, and Bestseller. Thus factory owners are facing difficulties in terms of paying wages, and for that, workers are suffering.

Recent forecasts estimate trade volumes are decreasing. Some researchers believe that over 3,600 retail stores are about to close in 2020, and most of them are related to the clothing industry. According to S&P Global Ratings, about 30% of retail stores have a good chance of indulging in their debts, which is equivalent to bankruptcy.

This crisis began in early February, when the fabric supply shortages occurred in China because of Covid-19. As the virus hit China, they had to shut down all their production. Since then, thousands of factories have been fully or partially closed in Asia, because of the US retailer cancelling their products without prior notice.

Countries like Bangladesh, India, Myanmar, Cambodia, Thailand, Sri Lanka, and Vietnam are the main victims of it. More than 3 million people are working in the garments sector and their jobs are now in threat. In

Vietnam, companies are working hard to minimize the loss and the impact on their business.

The most important thing now is that companies have to keep good relationships with brands, as they want them to accept their products which are already in the factory. But unfortunately, many brands have shut their doors without explaining anything, and without compensation.

For Cambodia, the pandemic affected its $10bn garments sector, which has more than 800,000 employees. Cambodia has announced a scheme for the workers: Workers will receive 60% of their wages if their factories are closed. In this 60%, 40% will come from the factory owner and 20% from the government.

There is no further need to say how severely this pandemic has affected the economy and garments industry. Factories have to regain the lost revenue if they want to sustain their businesses.

Some factories have started to function again, albeit in a limited manner. Mitigation of losses endured by the RMG sector at both the national and global level is only possible with collective efforts from the relevant bodies of governments and companies around the world directly or indirectly involved with this industry, as otherwise it may very well push the poor garments workers over the edge.

Source: dhakatribune.com– Sep 09, 2020

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Vietnamese textiles turn to domestic market for revenue offset amid COVID-19

With export activities facing difficulties due to COVID-19, Vietnamese textile and garment enterprises are returning to the domestic market, consider it as one of the potential market segments to help offset revenue.

Conquering domestic market

Difficulties from the shortage of raw materials in the first moths and the lack of export orders in the middle months this year caused the revenue of Nam Dinh Textile and Garment Corporation to plummet in the first half of 2020.

Right from mid-2020, the corporation has been determined to return to conquer the domestic market, considering it an important market segment to offset revenue losses due to COVID-19.

Nguyen Van Mieng, the corporation's general director, said that for the fibre segment, prior to the pandemic, his corporation produced 1,100 tonnes, of which 600 tonnes were exported, which means the proportion of exports was up to 65%. Now that figure is down to 45%. The company is compensating for that shortage by expanding its activities in the domestic market.

In terms of fabric, the corporation is currently producing about 1.2 million metres a month. By the third and fourth quarter this year, the production is likely to see a decrease of about 230,000-300,000 metres. Therefore, the corporation has decided to expand its consumption market to the Northern provinces towards offering new product lines in taking advantage from its dyed fabrics to supply garment companies.

"In particular, we improve the linkage within the yarn-weaving-dyeing chain so that all units in the chain have orders for stability and development, from which we would approach the corporation's set target for revenue this year, although we are suffering losses in the first half," said Mieng.

Along with Nam Dinh Textile and Garment, many other enterprises in the sector have also timely shifted to the domestic market amid the difficulties in their exports. Le Tien Truong, Deputy General Director of Vietnam National Textile and Garment Group, said that with the specificity of the labour-intensive industry, the loss of many orders in the first months of the year had a huge negative impact on the revenues of businesses and jobs of workers. Therefore, redirecting to the domestic market is an important solution to offset the loss revenue.

Although revenue from the domestic market still accounts for a small proportion (about 10% of the industry's capacity), making it not the sole solution to create jobs for workers, it still needs to be considered as a solution to reassure employees and encourage them in active production, as well as to promote the use of Vietnamese products among the public. Besides, the good exploitation of the domestic market also has the positive effect of helping businesses solve the issue related to raw materials and reducing dependence on imports from abroad.

In fact, the domestic market with a population of nearly 100 million people is considered a potential market for domestic textile enterprises. According to the Vietnam Textile and Apparel Association (VITAS), the domestic consumption of textiles and garments is currently worth about US$3.5-4 billion.

As for fashion clothing, due to increasing demand in the domestic market, Vietnam has attracted many international enterprises with strong finance and global distribution systems. Currently, more than 200 foreign brands are present in the domestic market, providing mid to high-end products. Well-known brands like Zara, H&M and Uniqlo have enjoyed turnover of trillions of VND per year since their first steps in Vietnam.

For domestic textile enterprises, for many years, they have continuously invested in and boosted production of various product lines to supply to the domestic market. Some businesses have developed products, services and brands with increasingly high quality and reasonable prices, thus better meeting the production and consumption needs of the domestic market while forming a distribution system nationwide.

Along with the snow-ball effect from promoting domestic consumption, Vietnamese textile and garment products have increasingly conquered consumers. However, the weakness of Vietnam's textile products is that they are not diverse in serving different market segments, while their prices are also not very attractive. They are mostly strong in the mid-range segment in products such as office shirts, uniforms and workwear.

Focusing on the right segments

A series of free trade agreements (FTAs), especially the Vietnam - EU FTA that just come into effect from this August, have not only opened the door for Vietnamese goods abroad but also have created conditions for foreign goods and products to flood into Vietnam. With diversity in the recognised brands and segments, this will directly affect consumption of locally made products by Vietnamese enterprises.

According to Truong Van Cam, VISTA Vice Chairman, although Vietnamese enterprises has been successful in exporting, doing business at home is still difficult for them.

The reason is that when operating in the domestic market, local enterprises must produce, build distribution systems, and plan other sales and marketing campaigns, rather only focusing on fulfilling shipments for export. However, in the current difficult export context, the effective access to the domestic market is an urgent matter.

Local businesses have been suggested to build a distribution network. Especially, small-sized businesses should be more active in conquering domestic consumers by investing in design, increasing product quality, and restructuring costs towards a more suitable price for their products. At the same time, businesses need to standardise their views and methods of serving customers, as well as catching up with fashion trends around the world to take responsibility for their products and win customers' trust.

In addition, it is necessary to build industrial zones with wastewater treatment and call for investment in combined factories covering all yarn - weaving - dyeing processes in order to complete the chain of production for fabric materials, thus better serving the textile and garment industry. This will also be the basis for increased localisation of fabric materials, laying the foundation for the textile industry to change production from processing to active designing and production, serving both domestic consumption and stronger export of Vietnamese garment products post COVID-19.

Source: en.nhandan.org.vn – Sep 09, 2020

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Pakistan: Foreign aid or export-led growth?

Pakistan's total public debt rose to Rs36.3 trillion, which is equivalent to 87 per cent of the GDP, by the end of the previous fiscal year, and is anticipated to continue on a steep upward trajectory. It is evident that in spite of the large amounts coming in, the country's economic performance has not been sufficient, and yet we maintain that our economy is being revived in the aftermath of COVID-19.

The real question is how much of this revival is sustainable, as these loans translate into massive debt with interest, and require political compromise. How much is truly going to strengthen us, while we struggle to return the rest?

We often talk of sustainable reform, sustainable growth, and sustainable policies. Sustainable is defined in the Oxford dictionary as "able to be upheld or defended." There is not much the aid industry has done for Pakistan that can be described as such. Even the longest cycle of donor aid runs for about 5 to 6 years. Then it is smoothly wrapped up, priorities change and the focus is shifted to a different area. Aid is becoming less of a means to an end, and more of an end in itself, as stated by Prof. Masooda Bano, a professor of Development Studies at Oxford.

The pomp and circumstance surrounding the events by international organizations, and the formal language of "empowerment, community, change" often blind us to the reality: where are the results? Largely politically motivated, aid undermines the country's national sovereignty. We are quick to accept the blame on our poor infrastructure, lacking human resources and much trumpeted government corruption. Given that we were already aware of these issues when we first reached out for donor aid, dare we adjust our lens and question our foreign saviors and loans?

Let us consider China Pakistan Economic Corridor (CPEC). At $6.8 billion, the ML-1 project alone is almost equal to Pakistan's entire development budget for fiscal 2020/21, which stands at 1.32 trillion Pakistani rupees ($7.9 billion). CPEC has received criticism from several western countries, particularly the United States, which labels the project as not transparent enough and likely to burden Pakistan with expensive Chinese loans. However, the expensive western loans don't seem to be a problem for them. Pakistan owes US$11.3 billion to Paris Club, US$27 billion to multilateral donors, US$5.765 billion to International Monetary Fund, and US$12 billion to international bonds such as Eurobond and sukuk.

There is a vast body of empirical evidence showing that foreign aid in Pakistan erodes the quality of governance by increasing corruption, weakening accountability, and limiting policy learning. Bureaucracy uses the aid agencies to line up jobs post-retirement and are generally compromised in negotiating a fair deal for Pakistan.

Foreign aid programmes should be considered only as a temporary and short-term development tool, yet they have ballooned into much larger bodies that dominate the policy landscape in Pakistan. The fact is, ours is a nation suffering from a colonial hangover, where the approach to development tends to be imperial rather than people-oriented.

As shown by our index of economic freedom scores, the Pakistani economy has been mostly unfree since the inception of the Index in 1995. Any GDP growth we have managed has been primarily a result of exports of cotton textiles. This gives us sufficient evidence of what the economy needs in order to remain stable. Rather than allowing foreign donors to be our crutches, we need to support our local exporters, investors and thought leaders. It comes as no surprise that private investment has been declining in Pakistan for several years, given how rapidly private investors have been losing confidence in the economy.

It is about time we realigned our trust towards our local business community as well as our entrepreneurs. They have the potential to bring us out of the debt cycle, and it is critical that we empower them to do so. We must begin by revisiting our policies, priorities and redundant practices. These are largely skewed against the local business community, exporting sectors and SMEs.

As the world moves forward in technological up-gradation and value addition, our businesses remain unprofitable, as all the time and energy gets used up in meeting high tariffs, as well as complicated regulations. It is no surprise that Pakistan ranks low in the ease of doing business and competitiveness indices, as many potential startups are burdened by overregulation that hinders them from taking off. Those that do manage to take off are soon crippled by high levels of advance tax and the day-to-day intricacies of conducting business in Pakistan.

It takes a business in Pakistan 161 days to obtain an electricity connection, compared to South Asia's regional average of 98 days, and the cost is 50 percent higher than anywhere else in the region. Furthermore, archaic technology, lack of policy continuity and redundant business practices are likely to persist as long as we keep donor agencies on a pedestal and neglect our business community.

Enhanced trade competitiveness leading to an increase in exports is undoubtedly a sustainable path to economic growth, as unlike aid, it is not tied up in any form of liability. The earnings through exports serve as a valuable inflow to the economy, and paired with remittances, these amounts will be the forces that can eventually pull Pakistan out of its current account deficit. Some ways to enhance our trade competitiveness are diversification, improved quality, and integration into global value chains. Government support is an absolute requirement that ties into each of these paradigms, but the measures taken are often insufficient.

The unprofitable nature of the economy is exacerbated by an unreasonable anti-export biases including tariffs and duties, leaving firms in a quandary as exorbitant amounts have to be set aside to meet these requirements. The textile sector remains under immense pressure to maintain a heavy chunk of Pakistan's exports, and therefore must be considered critical for Pakistan's economic prosperity. In this regard, its challenges should be tackled head-on. These include a number of barriers: the lack of access to the latest seed technology for cotton farmers, high tariffs banning entry into value-added sectors and product diversification, and the fragmented nature of the textile chain which must be streamlined through new infrastructure.

While a number of things contribute to the anti-export bias, a primary factor has been the exchange rate. Of late, the State Bank has kept the exchange rate market-driven, allowing the current account to remain in balance, and leading to import compression, inflow of remittances and a much-needed revival of exports. The formula was simple: provide exports with an essential stimulus and the results will be evident.

The rise in demand has served as an impetus for idle capacity to come into use, and perhaps even new capacity to be installed, carving a sustainable path to economic growth. Subsequent to the correction in exchange rates, it is not surprising that all of Pakistan's installed capacity is currently committed with no spare capacity for the next six months at the very least.

The major obstacles for SMEs include access to concessionary finance, international marketing, skilled labor and compliance of international standards. Furthermore, the challenge of improving the productivity and sustainability of our business community at large would require the initiation of training programs, particularly with a focus on entrepreneurship and SMEs. Pakistan's youth bulge is an exceptional asset which can translate into a goldmine of talent, as long as they are equipped with the skills necessary in the modern economy.

Pakistan must mitigate its reliance on primary and traditional commodities and shift towards the export of manufactured, value added services and nontraditional goods. This highlights the need to equip labor with new technologies and train them in the latest skills, thus shifting them from primary to secondary and tertiary activities.

Without addressing these key issues, it would be difficult to attract new entrepreneurship in Pakistan. It should be noted that the World Bank has done significant work in the areas of SME development and ease of doing business in Pakistan, which have led to improvements in business rankings since 2018. However, this should be sustained and further accelerated by our own community.

The representatives of international donor organizations that arrive on missions to Pakistan tend to be the secondary talent of their respective countries, while the brightest thought leaders are incentivized to remain within their borders and ensure that their country excels. Meanwhile, Pakistan illogically neglects its own first-rate talent - as is evidenced by our shining diaspora worldwide - and gives preferential treatment to donors.

We must prioritize and create conditions to retain our first-rate talent, capitalize on our own human resources and allow them to shape the policy landscape of Pakistan, as they have immense talent and yet are denied the platform Pakistan needs.

The above challenges should be taken in a positive sense, as they represent untapped opportunities for Pakistan's economy to excel. Yet our aid dependency and the shiny promises of development have kept us distracted. To achieve growth and development under the burden of soaring debts is almost too paradoxical to digest, yet it is the reality. We must recognize that these are short-term fixes which come attached to high political costs that effectively outweigh the economic benefits.

While they have benefits for short-term development and can serve as a useful launching pad for more nationalized development programmes, that is as far as the role of foreign aid should go. If sustainability is truly what we want, then we must work towards it by putting our trust and resources towards building our inherent capacity, talent, industries and institutions.

Source: brecorder.com– Sep 10, 2020

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Pakistan: Govt to shore up economy through 'out-of-box solutions'

With a view to boosting jobs, ensuring upswing in exports and making economy sound in next three years — the remaining period of the incumbent regime – the government has decided to invoke 'out of box solutions' by abandoning the 'business as usual' approach.

The government has made up its mind to double exports in next five years for which the input cost for the export industry needs to be tackled for next 5 years. And to this effect, the government will step up its focus on 'out of box solutions' as has been desired by Prime Minister Imran Khan to realize the target of increasing jobs by improving the outlook of exports and economy. This has been disclosed in the summary titled 'strategy to boost jobs, economy and exports in next three years to be pitched by Ministry of Industries and Production in ECC meeting.

Pakistan needs to capitalize on its best trait to grab the post-COVID-19 opportunities and that is textiles, cereal and leather. The export industry can make Pakistan's economy turn around on a fast track basis and bring massive employment and foreign exchange in near future and years to come to match the targets of the Prime Minister.

Already in the international export arena the countries (especially competitors of Pakistan) are going out of way to grab lost markets and exploring new markets. Export-oriented countries are subsidizing, reducing utility (Power & Gas) expenditure to position themselves into the international markets, especially US, Europe.

Pakistani textile like other countries got a heavy jolt during that last 6 months with cancellation of large orders. The summary says that now is the time for Pakistan to take back the market share and that can only be done on fast track basis by the textile industry. And it is now or never situation to get the market share which cannot be achieved without the intervention of the cabinet.'

The industries ministry has asked for fixing the gas tariff for export industrial sector at Rs450 ($ 2.65)per MMBTU inclusive of GIDC (gas infrastructure development cess) for financial years 2020-21, 2021-22 &2022-23, including its power generation plants, which may be part of the same concern or incorporated separately; as far as the power produced is input for export oriented only.

And to achieve the targets, Pakistan needs to take new initiatives in the export sector, such as BMR, Artificial Intelligence, worldwide international marketing through E-Commerce, association with companies like Amazon, Alibaba.'

As many as 10 sectors and sub-sectors, the official said, make about 80 percent of total exports of which Textile is 52percent and Cotton is 8% followed by Cereal (6%) and Leather (3.5%). Although Textiles is Pakistan's forte, yet it is nowhere on the world map of Ready Made Garments (RMG), which is the most value added commodity. "Since exports are declining, therefore it is incumbent on the government decision and policy makers to bring back the Export forte and strength back to Pakistan."

The summary mentions the alarming dwindling trend in exports saying that in 2011 Pakistan's total exports stood at $24.439billion whereas exports of Bangladesh were at $25.383 billion in the same year. However in 2018, Pakistan exports tumbled to $23.485 billion whereas exports of Bangladesh massively surged to $39.252 billion. And to arrest this declining trend in exports, Pakistan needs to go for out-of-box solutions instead of keeping business as usual.

Source: brecorder.com– Sep 09, 2020

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Customs modernisation in Bangladesh

The World Bank (WB) has expressed interest to help the National Board of Revenue (NBR) modernise its customs procedure for promoting regional trade and investments, officials said on Tuesday.

The WB has assured Bangladesh of providing assistance worth US$170 million for upgrading the cross-border and regional trade facilitation works, said an official of the Economic Relations Division (ERD).

Meanwhile, the ERD, on behalf of the NBR, requested the Washington-based lender for bankrolling the customs modernisation project.

“We’ve requested the WB. It has responded positively. We are hopeful of discussing with the global lender soon to finalise the support,” said the ERD official.

He added that they are hopeful of getting financial and technical supports from the WB shortly.

Bangladesh’s customs modernisation is very crucial for trade facilitation by lowering trade cost, reducing trade time, and enhancing efficiency of supply chains.

The customs procedure here is very complex, as it takes a lot of documents and time before clearing any import or export product.

According to the UNESCAP-WB International Trade Cost data, the intra-regional trade costs of Bangladesh, Bhutan, and Nepal amount to 186 per cent tariff equivalent, which is the highest among the selected countries in other sub-regions of the Asia-Pacific region.

The overall cost of trading goods among the three largest European Union (EU) economies is equivalent to a 43 percent average tariff on the value of goods traded.

China, Korea, and Japan come closest to matching the low intra-EU trade costs, with average trade cost among themselves amounting to a 51 per cent tariff equivalent, followed by the middle-income members of the Association of Southeast Asian Nations (ASEAN), whose intra-regional trade costs stand at 76 per cent tariff equivalent.

An official of the NBR said the proposed WB-supported project will help the government to make the National Single Window (NSW) functioning in a bid to ensure (completion of) all the foreign trade-related customs procedures through a single window.

Bangladesh ratified the World Trade Organization’s (WTO) Trade Facilitation Agreement (TFA) in September 2016, which contains provisions for expediting movement, release and clearance of goods, including goods of transit.

It also sets out measures for effective cooperation between customs and other appropriate authorities on trade facilitation and customs compliance issues. It became effective on 22 February 2017 following ratification by two-thirds of the WTO members.

To date, the NBR has published all rules, regulations and statutory regulatory orders (SROs) on trade facilitation on its website. But the NSW is yet to be functional.

The NSW is a facility that allows parties involved in trade and transport to lodge standardised information and documents with a single entry point to fulfill all import, export, and transit-related regulatory requirements.

The senior ERD official told the FE that when the WB will come forward with its support to modernise the customs procedure, the country's trade and investment facilities will be enhanced and regional trade will also be boosted.

The NBR will spend Tk 16.18 billion for the WB support-assured customs modernisation project. The NBR has sought Tk 14.29 billion ($170 million) from the WB, while the rest amount will be provided from internal resources.

The Washington-based lender is interested to finance the project, as it has already responded positively to the government, the ERD official said. As per the NBR's plan, it will set up an Integrated Targeting and Operations Centre (ITOC) based on the principles of coordinated border management.

The WB support will also help to build capacity of the customs officials, so that they can make the NSW functional for trade, which includes multiple border clearing agencies.

The NBR has plans to modernise the Chittagong and Benpole customs houses, and the Customs, Excise and VAT Training Academy.

The agency will also work for trade enhancing tariff system and developing capacity for tariff policy formulation. This will help export expansion and diversification for achieving development goals, the officials said.

Source: maritimegateway.com– Sep 09, 2020

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NATIONAL NEWS

Centre working on identifying key sectors for priority implementation of RoDTEP scheme

Commerce Ministry to make suggestions to RoDTEP committee

The Centre is looking to identify key sectors for priority implementation of the new Remission of Duties or Taxes on Export Product (RoDTEP) scheme, which aims at refunding exporters indirect taxes paid on inputs, and would also replace the popular Merchandise Export from India Scheme (MEIS) that is incompatible with World Trade Organization norms.

"The RoDTEP scheme will be available for all export items, but the process of data collection for fixing rates is laborious and time-consuming. That is why the scheme may be extended to a few priority sectors first and then subsequently to the rest of the items," an official told BusinessLine.

The RoDTEP committee, set up by the Centre in July to work out the modalities for the new scheme, is in touch with the Commerce Ministry on the items that could be of priority and should be focussed on first.

"The committee has started collecting data for all sectors from the industry, export promotion councils and trade bodies. It is likely to focus on the items that the Commerce Ministry will suggest as priority for early implementation," the official said.

Whether the priority list would be drawn on the basis of export value or incidence of indirect taxes, including embedded taxes, on various sectors, is to be seen, he added.

The Centre plans to withdraw MEIS, which has been ruled as being in violation of multilateral trade rules by the WTO, at the end of this year, and items that currently enjoy benefits under it would instead benefit under the RoDTEP scheme.

However, it is not yet certain whether the scheme could continue for some more time in case there are items for which the RoDTEP rates cannot be fixed till the time.

‘Complicated process’

“The RoDTEP committee is seriously engaged in data collection. But fixing rates for reimbursing input taxes for thousands of items on the basis of actuals is a complicated process. We are sure that if all the rates are not fixed by the end of the year, the government will look at continuing older schemes for a while,” said a Delhi-based exporter.

Commerce and Industry Minister Piyush Goyal had earlier said that the taxes, duties or local levies imposed by the Centre, States or local governments that are not refunded through any other scheme, will be refunded through RoDTEP in a way that is compliant with WTO norms.

The new scheme also seeks to reimburse embedded taxes on purchases from main vendors, embedded GST on purchase from unregistered dealers, etc.

The government has already replaced MEIS with another scheme known as the Rebate of State and Central Taxes and Levies on Export of Garments and Made-ups (RoSCTL) for garments and made-ups as textiles was the first sector to be declared ineligible for MEIS by the WTO.

“Since RoSCTL is compatible with the WTO norms, there is no urgency to replace it with RoDTEP,” the official said.

MEIS goes against WTO norms as it is seen as an export subsidy where the incentive rates are not directly linked to reimbursement of indirect taxes on inputs.

Source: thehindubusinessline.com– Sep 09, 2020

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Masks, surgical gowns & export boost the prices of organic cotton

Organic cotton prices have increased by 8 per cent to 12 per cent in the past two months and may remain firm as buying by the domestic medical textile sector and the overseas market has picked up, trade bodies said.

“The sale of organic cotton and yarn has increased significantly and supplies are limited with ginners leading to firm prices in the last two months. There is also demand from Bangladesh and Vietnam, ” said Ashwin Chandra, chairman of the Southern India Mills Association. He said that in the short term, the prices may further increase.

Organic cotton prices have increased by 8 per cent to 12 per cent to Rs 39,000 candy of 356/kg each, he said. Also, prices have increased by over 15 per cent to Rs 210 per kg for export quality 30 carded yarn, he added.

Demand has increased from medical textiles sector which is making surgical gowns, masks and others and we expect it to remain strong in the long run, keeping prices firm, said T Rajkumar, chairman of the Confederation of Indian Textile Industry. “We anticipate the acreage under organic cotton to have increased this year by 5 per cent, owing to the rise in prices,” he said.

With the season at the fag end, the supplies in the domestic market was less and traders and millers were shying away from selling in anticipation of an increase in prices, said Mahesh Sharad, President, Indian Cotton Association. Harvest of cotton will begin by end of October- November.

Usually organic cotton fetches a premium of Rs 1000 per candy in comparison to Bt cotton of similar quality, but currently companies were paying a premium of over Rs 2500 per candy in Maharashtra and Gujarat mantis, said millers

Area under organic cotton in India is around three lakh hectares which is 2 per cent of the total area of 130 lakh hectare under cotton cultivation. The production is around 7.2 lakh bales of 170 kg each which is 2 per cent of the total estimated production of 360 lakh bales, according to the industry.

Source: economictimes.com– Sep 09, 2020

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Cotton futures firm at Rs 17,520 per bale in afternoon trade

Cotton futures stayed firm at Rs 17,520 per bale on September 9. Open interest suggested increase in long positions. Cotton futures on the Multi-Commodity Exchange (MCX) settled with a loss of 0.6 percent yesterday tracking the sharp fall in ICE Cotton futures.

Cotton Corporation of India started the auction of old cotton and upcoming new crop arrivals have kept domestic futures price under pressure in the first week of September.

US President Donald Trump's plan to significantly scale back economic ties with China prompted fresh weakness in natural fibre in the international market.

In the futures market, cotton for October delivery touched an intraday high of Rs 17,520 and an intraday low of Rs 17,440 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 0.29 percent, to Rs 17,520 per bale at 15:54 hours IST on a business turnover of 693 lots. The same for November contract was flat at Rs 17,350 per bale with a business volume of 2 lots.

The value of October and November's contracts traded so far is Rs 1.48 crore and Rs 0.8 crore, respectively.

The expectation of bumper crop this season due to higher acreage and no sign of revival in demand may keep cotton range-bound with negative bias for near future, said Kotak Securities.

Source: moneycontrol.com– Sep 09, 2020

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Trade deal with US unlikely before November presidential elections: India

The India-US mini trade deal is unlikely to see the light of day before the presidential elections in the US in November, officials said even though New Delhi has made a proposal on a limited trade package and shared it with Washington.

India has sought 100% restoration of benefits under the Generalized System of Preferences (GSP) scheme and duty concessions for some agricultural products.

“We are not optimistic about the deal happening before November. We understand their compulsions and the timeframe is tight,” said an official.

The two aim for a free trade agreement (FTA) in the long run and have been working on an initial trade deal for almost two years amid a plethora of bilateral issues ranging from medical devices, agriculture, Harley Davidson motorbikes, e-commerce, totalisation pact, visa issues and disputes at the World Trade Organization.

Washington is keen on a deal ahead of its presidential elections in November and had indicated that an initial deal could include restoration of the GSP benefits to India and market access for each other’s agricultural products. The two sides had a conversation about the deal last week as well.

“Full restoration of GSP is our key demand and we have also pitched for market access for some agricultural products,” the official added.Washington had in 2018 withdrawn the GSP benefits- a sort of quota for each developing country at zero or low duty- for more than ten countries including India.

Under the GSP, the country had exported goods worth $6.3 billion(as per USTR figures) to the US, accounting for around 12.1% of India’s total export to the US in 2018.

The average duty concession accruing from GSP was almost $240 million in 2018. India’s exports to the US in the first quarter of FY21 were $8.13 billion while imports were $5.24 billion.

Agriculture is another ask for India and it is keen to get market access for its mangoes, pomegranates and grapes. The sector is of equal interest to the US and it has sought lower duties for its apples, pecan nuts, walnuts, almonds and soya bean.

Besides, New Delhi has demanded exemption from high duties imposed by the US on certain steel and aluminium products while the US has sought market access for its medical devices, and lower duties for certain ICT products. ICT products are not part of the proposed package. It has also sought duty concessions on poultry and various dairy products including milk powder in the bilateral trade deal negotiations.

Source: economictimes.com– Sep 09, 2020

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RoSCTL scheme to help enhance competitiveness of apparel exporters: AEPC

The Rebate of State and Central Taxes and Levies (RoSCTL) scheme will help enhance competitiveness of apparel exporters and boost the outbound shipments, industry body AEPC said on Wednesday.

Apparel Export Promotion Council (AEPC) Chairman A Sakthivel welcomed the release of funds for paying the dues under the scheme for fiscal 2020-21.

"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.

"This has been the request of our members in the apparel export industry for a long time and who would definitely benefit from this measure," he said.

He added that the sector, which has been hit hard by the lockdowns, global depression in demand, increasing defaults due to bankruptcies and huge increase in logistics and transactional costs, needed this support for regaining its position in the global markets.

Although the year so far has seen double digit declines in exports during April (-91.04 per cent), May (-66.19 per cent), June (-34.84 per cent) and

July (-22.09 per cent), this scheme will be an important milestone in changing the export trends, Sakthivel said.

The RoSCTL scheme provides rebate on all embedded taxes on exports.

Source: business-standard.com– Sep 09, 2020

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Fixing the GST compensation imbroglio

Despite their problems, States can be more flexible, given that the country is going through severe economic distress

There is quite an uproar on the GST compensation issue, with many States up in arms over the Centre not giving them their rightful dues. The Centre, on its part, is seeking refuge in 'the Act of God' argument to show that this is an unprecedented situation that calls for a different approach.

The predicament of the States is not difficult to understand. According to the RBI, GST collections accounted for 43 per cent of States' own tax revenues in 2018-19. A sharp fall in these collections, especially when other sources of revenue have dried up and healthcare spends are rising, does create enormous difficulties.

The Centre has its own set of problems to deal with — expanding fiscal deficit, growing pile of debt, bond yields that are refusing to be tamed and rising inflation. The situation is quite tricky with the Centre fighting with its back to the wall. The States can be a little flexible here, in giving due consideration to the solutions offered by the Centre.

How did the shortfall arise

As we all know, making all States agree to the GST was no mean task. One of the ways used to cajole the States was through the promise of minimum increase of 14 per cent in GST revenue every year, from the base year of 2015-16, in the first five years after implementation. The States were to be compensated for any shortfall through the compensation cess levied on luxury, sin and demerit goods.

Though the first two years were marred by technical glitches and problems in filing returns, collections from GST were not too bad. In 2017-18 and 2018-19, the compensation cess collection was adequate and even after disbursing to the States, some amount remained unutilised.

The trouble began in 2019-20, when consumption was impacted due to the liquidity crunch triggered by the IL&FS crisis. GDP growth had declined from 8.2 per cent towards the beginning of 2018 to 3.1 per cent by March 2020. Not only did this create a shortfall in GST collection, the compensation cess mop up also fell, mainly due to a decline in auto sales.

The total compensation released provisionally in FY20 was ₹1,65,302 crore while the cess collected in the year was ₹95,444 crore. In order to bridge the gap of ₹69,858 crore, the IGST balance in the Consolidated Fund of India and the carried-forward compesation cess balances from previous years were used.

The situation has become quite dire in 2020-21. While the June quarter has been a total disaster for the country, forecasts of GDP contraction for the entire year are now being expanded to beyond 10 per cent by research houses. With consumption taking the sharpest knock as people prefer to stay at home, SGST collections have dropped precipitously in April and May. While collections in June, July and August were around 80 per cent of the mop up in the previous year, it needs to be remembered that GST collections were quite weak in 2019.

Behind the numbers

The Centre is projecting the shortfall in GST revenue of States at ₹3-lakh crore for FY21. This number is based on the original promise made to States about 14 per cent annual increase in collections. Based on the total own tax revenues of the States of ₹8.4-lakh crore in 2015-16, the protected revenue for States from GST collections comes to around ₹7-lakh crore for FY21.

Extrapolation of the trend in GST collection between June and August 2020, pegs the shortfall for States at around ₹3-lakh crore. This gap can be higher if growth stutters in the coming quarters and vice versa if things look up.

In order to arrive at the impact of the pandemic on collections, the Finance Ministry assumed a 10 per cent increase in GST collections in the first 10 months of FY21 (year on year) and deducted the sum from the protected revenue for the period, to arrive at the gap, which is ₹1,65,178 crore. By deducting the compensation cess, projected until March 2021 at ₹68,700 crore, the Centre has arrived at ₹96,477 crore, which it says is due to GST implementation.

The better option

Let's examine the two choices that the Finance Ministry has given the States. In the first option, out of the total shortfall of ₹2,35,000 crore, ₹97,000 crore (the shortfall due to GST implementation) can be borrowed by States through a special window coordinated by the Ministry. Both the principal and interest of this borrowing will be paid from the compensation cess, which will be extended beyond 2022.

Under option 1, States have to take care of the remaining ₹1,38,000 crore through market borrowings. States' borrowings will increase to that extent and they have to take care of both the principal and interest on this portion. Under the second option, the entire shortfall of ₹2,35,000 crore may be borrowed by States through issue of market debt.

The Centre will repay the principal of such debt while the interest will have to be borne by the States.
A back-of-the-envelope calculation shows that the second option is more conducive as it involves only payment of interest, although on a larger amount of ₹2,35,000 crore.

A few States have accepted the first option, perhaps with the intention of using the special window immediately without worrying about the balance in shortfall, for now.

Many are refusing to accept either option, stating that both the principal and interest on the entire ₹2,35,000 crore have to be borne by the Centre.

The impossible 14% increase

There is no doubt that the States are legally correct in their demand. But there are two reasons why they need to bend back a little. One, while the 'Act of God' argument was subject to much ridicule, it has its merits.

The pandemic resulted in a sharp fall in GST collections in the June quarter and revenue is going to be subdued for the rest of the year, too, due to movement restrictions. Hypothetically, if we were still in the pre-GST era, the States would have had to bear the decline in revenue through borrowings. They can, therefore, shoulder at least a part of the borrowing cost.

Two, the protected revenue assumes a steep revenue growth, of 14 per cent. With nominal GDP growth in FY20 dipping to around 7 per cent, the shortfall was bound to expand. The Covid-led contraction has further exacerbated the situation.

The GST Council needs to deliberate on the growth figure of 14 per cent pencilled into the statute. A little flexibility on that, against the light of the ongoing economic turmoil, will go a long way in resolving this logjam.

Finally, it's in the interest of all States to together iron out the issues.

The GST Council has so far worked quite efficiently, in the true spirit of cooperative federalism. This needs to be continued.

Source: thehindubusinessline.com– Sep 09, 2020

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Apparel retailers stare at 35% sales loss in FY21

The readymade garments industry, which is among the worst-hit sectors due to the Covid-19-induced lockdown, is staring at 30-35% sales loss at retail level for the current fiscal as the markets have not unlocked evenly across the country.

The retail sales of readymade garments stood at Rs 6.5 lakh crore in FY20. On the other hand, with just two months to go for the Diwali festival season, manufacturers of apparel are yet to receive sufficient orders from the retailers.

"The customers are not visiting the markets freely despite gradual unlock taking place across the country. The industry witnessed 80% drop in sales during the April-June quarter and we expect the drop in sales to be around

60% during the second quarter, primarily due to the beginning of festivals in August," Rahul Mehta, Director, Creative Group of Companies said.

As a result, he estimates the loss of employment in the sector to be in the range of 25% or 3 million jobs this year. The sales during Diwali festival this year are expected to be around 50% of last year at the retail level. The sector employs around 12 million people.

"Normally, retailers place new orders with manufacturers a quarter before Diwali. But this time, the retailers are carrying 3-4 months of stocks with them. The fresh production is going to be minimal this year," Mehta told DH. Sakti Arrumugham, Director-Sales of Tiruppur-based Sakthi Heinrich Apparels said the company has been facing close to 50% drop in sales since the lockdown started.

The company, which exports jersey for football clubs and cycling gear to Europe, has also seen 50-60% decline in its export orders. "We have laid off around 30% of our workers in one of our units in Tiruppur. If the situation does not improve in the coming months, it will be a grave situation," he said.

According to Harakchand Vora, Chairman, Vardhaman Fashions, the biggest challenge before apparel retailers is shortage of liquidity and credit. The industry needs to survive till March 2021 or else it will be wiped out. "We are already seeing 40% job loss in many units across the country. Especially, the self-employed karigars are in danger of getting wiped out from the industry," he said.

Currently, the major hurdles before the readymade garments manufacturing industry are shortage of labour and delay in payments from the retailers. The workers from Bihar, Odisha and West Bengal are yet to return completely and only 60% of the pre-Covid levels are achieved, he said. According to a woman CEO of a clothing company in Bengaluru, an estimated 40% jobs have been lost in the city. There are over 3,000 garment factories in Bengaluru.

Among the small-scale units, 25-30% have shut shop already. "The major problems are lack of orders and payments for previous orders. Thousands of workers have shifted out of Bengaluru due to lockdown and are yet to come back," she said.

Meanwhile, the Clothing Manufacturers Association of India (CMAI) is organising its annual National Garment Fair virtually from September 10 to 20.

Source: deccanherald.com– Sep 09, 2020

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The twisted trajectory of Bt cotton

Despite finding huge favour in India, the GM crop has only brought modest benefits

Cotton has been woven and used in India for thousands of years. Cotton fabric from around 3,000 BCE has been excavated from the ruins of Mohenjo-daro, and archaeological findings in Mehrgarh, Pakistan, show that cotton was used in the subcontinent as far back as 5,000 BCE.

Indian cotton fabrics dominated the world trade during the succeeding millennia and were exported to many places, including Greece, Rome, Persia, Egypt, Assyria and parts of Asia.

Much of the cotton cultivated until the 20th century was of the indigenous 'desi' variety, Gossypium arboreum. From the 1990s, hybrid varieties of G. hirsutum were promoted. These hybrids cannot resist a variety of local pests and require more fertilizers and pesticides. Cotton suffers from plenty of infestation from moth pests (Lepidopteran) such as the Pink Bollworm (PBW) and sap-sucking (Hemipteran) pests such as aphids and mealy bugs. With increasing pressure to buy hybrid seeds, the indigenous varieties have lost out over the years. But recently, there has been some resurgence of interest.

The increasing use of synthetic pyrethroids (group of man-made pesticides) to control pests and the rising acreage under the American long-duration cotton led to the emergence of resistant pests. Resistant Pink and even American Bollworm (ABW), a minor pest in the past, began increasing, leading to a growing use of a variety of pesticides. Rising debts and reducing yields, coupled with increasing insect resistance, worsened the plight of cotton farmers. It was in this setting that Bt cotton was introduced in India in 2002.

Genetically modified (GM) cotton, the plant containing the pesticide gene from the bacteria Bacillus thuringiensis (Bt), has been grown in India for about twenty years. This pesticide, now produced in each Bt plant cell, ought to protect the plant from bollworm, thereby increasing yields and reducing insecticide spraying on the cotton plant.

According to the Ministry of Agriculture, from 2005, adoption of Bt cotton rose to 81% in 2007, and up to 93% in 2011. Many short-duration studies examining Bt cotton, in the early years, pronounced that Bt was a panacea for dwindling yields and pesticide expenses. The two-decade mark now provides an opportunity to review GM cotton in India more comprehensively.

Broad review

In March this year, K.R. Kranthi and Glenn Davis Stone published a review in the scientific journal Nature Plants, analysing the entire picture of the use of Bt cotton in India. Earlier studies had attributed to Bt the tripling of cotton yield between 2002-2014 in India. However, one detail that sullied such a conclusion was that yield differences between farmers who were the early adopters of Bt cotton and those who were not suffered from selection bias.
Controlling for such bias showed (in 2012) that the contribution of Bt cotton to yield increase was only about 4% each year; still, since yields vary annually by over 10%, the benefits claimed were dubious. Kranthi and Stone's review examines data over 20 years, studying each State separately and correcting for illegal Bt cotton planting.

There are discrepancies between yield and the deployment of Bt cotton. For instance, the Bt acreage was only 3.4% of the total cotton area in 2003, not sufficient to credit it for the 61% increase in yield in 2003-2004. Furthermore, with only 15.7% Bt cotton coverage by 2005, yield increases were over 90% over 2002 levels. While Bt cotton adoption corresponded to a drop in spraying for bollworms, the study states, "countrywide yields stagnated after 2007 even as more farmers began to grow Bt. By 2018, yields were lower than in the years of rapid Bt adoption."

Individual State data are more helpful in understanding subnational trends. In Maharashtra, yields climbed in the decade after 2000, with no change in the rate of increase when Bt cotton was introduced. In Gujarat, Andhra Pradesh and Madhya Pradesh as well, there is no correlation between the adoption of the variety and increase in yields. For instance, Gujarat's surge in cotton yields was 138% in 2003, even as Bt cotton was used only for 5% of land under cotton.

Similar findings are seen in Punjab, Haryana and Rajasthan, where yield increase is incongruous with the spread of Bt cotton.
The rise in cotton yields can be explained by improvements in irrigation, for instance in Gujarat, and a dramatic growth across the country in the use of fertilizers. Gross fertilizer use for cotton more than doubled from 2007-2013; the average rose from 98 kg/ha in 2003 to 224 kg/ha in 2013.

There is a strong correlation between the rise in use of fertilizers in individual States and yields, and this bias increases when it is combined with improvements in irrigation.

The total insecticide expenditure per hectare reduced in 2006, and Lepidopteran spraying expenditures continued to fall until 2011. While the ABW that feeds on different plants does not appear to have developed a resistance to Bt, the PBW developed a resistance by 2009 in India. In a few years, the situation was dreadful.

Bollworm spraying began to climb again. Sap-sucking insects have surged for the hybrids, as the hirsutum Bt cotton hybrids are quite vulnerable. With rising acreage under Bt cotton cultivation, expenditures for spraying for sucking pests also went up. By 2018, farmers were spending an average of $23.58 per hectare on insecticide — 37% more than the pre-Bt levels.

Real-world challenges

It is tough to isolate one particular aspect of a technology and evaluate it properly. A technology that works in the lab may fail in fields since real-world success hinges on multiple factors, such as different kinds of pests and local soil and irrigation conditions. The benefits of Bt cotton have been modest and short-lived.

Changes to the agricultural systems correlate better with positive yields, and countrywide yields have not improved in thirteen years. India’s global rank for cotton production is 36 despite heavy fertilizer use, irrigation, chemicals and Bt cotton usage. This is below the national average of some resource-poor African countries that don’t have Bt, hybrids or good access to inputs.

The cost of ignoring 'desi' varieties for decades has been high for India. These varieties resist many pests and don't present the problems faced with hybrids. Research suggests that with pure-line cotton varieties, high density planting, and short season plants, cotton yields in India can be good and stand a better chance at withstanding the vagaries of climate change.

But government backing for resources, infrastructure and seeds is essential to scale up 'desi' varieties. It is time to pay attention to science and acknowledge that Bt cotton has failed in India, and not enter into further misadventures with other Bt crops such as brinjal or herbicide resistance.

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