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INTERNATIONAL NEWS

US Manufacturing Faces $400 Billion Covid Impact

The U.S. manufacturing industry, including the apparel and textile sector, is on the verge of severe negative impacts due to Covid-19, according to a new report from global business intelligence firm Creditsafe.

The report said many manufacturers, also including industrial machinery equipment, printing and publishing, and fabricated metal products, could see a significant decrease in their revenue and face difficult decisions on how best to navigate these difficult times.

Taken together, the industries represent over half a million businesses across the country, with more than 17 percent of them expected to experience a severe downturn and financial crisis from the economic impact of the coronavirus.

“Manufacturing represents a significant amount of revenue, jobs and businesses within the U.S.,” said Matthew Debbage, Americas and Asia CEO for Creditsafe, a global supplier of company credit reports. “Our research and analysis shows that the 10 most affected states could see a decrease [of] $400 billion from the manufacturing industry alone. This type of impact will have long term effects for the entire country.”

According to the National Council of Textile Organizations, the U.S. textile industry supply chain, from textile fibers to apparel and other sewn products, employed 585,240 workers last year. U.S. textile and apparel shipments totaled $75.8 billion in 2019.

The report said 31,735 manufacturers that produce clothing and other textile products including yarns, fabrics and home furnishings that were reviewed for the report, and 5.8 percent of them are likely to face severe risk.

Factors such as mandatory closures, changes in buyer behavior and disruptions to the supply chain are all contributing to the overall risk that the manufacturing industry is facing. These could then cause ripples through a loss of employment, decreases in revenue and delays in production, Creditsafe noted.

The pandemic has caused the U.S., and specifically manufacturers, to look to a more localized supply chain and bring several types of critical manufacturing sectors back on shore.

"The pandemic has made it clear that overextended and risky supply chains can no longer be tolerated," John Boyd, president of Boyd Co., a corporate relocation consulting firm, said.

President-elect Joe Biden's economic plan encourages reshoring through tax breaks and other incentives. Creditsafe cited the April Thomas Industrial Survey showing that 64 percent of manufacturers surveyed planned to bring production and sourcing back to North America, with 25 percent increasing their use of automation.

The pandemic may impact $400 billion in revenue in 2020, according to the report, which cites states such as Nevada and California as the top two most affected regarding manufacturing.

"Ultimately, manufacturers that are able to build agility into their business models will be able to come through the crisis with better protection for the next one, and states that are able to develop tax incentives to attract manufacturers will benefit, despite the current loss of revenue," the report said.

Source: sourcingjournal.com– Nov 18, 2020

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Slowdown in G20 trade restriction measures as COVID-19 impacts world economy: WTO report

There is a slowdown in the number of trade restrictive as well as facilitative measures on goods implemented by G-20 member countries between mid-May and mid-October, due to the sharp decline in overall global trade since the COVID-19 outbreak, according to a WTO report.

The WTO's latest Trade Monitoring Report on G20 trade measures also said that although world trade had already been slowing before the pandemic, merchandise exports in nominal US dollar terms fell 21 per cent in the second quarter of 2020 compared to the previous year.

The report "shows a slowdown in the number and coverage of trade restrictive and trade-facilitating measures on goods implemented by G20 countries between mid-May and mid-October 2020", it added. It was primarily as a result of the sharp decline in overall global trade since the COVID-19 outbreak, it said.

WTO Deputy Director-General Yonov Frederick Agah said that while the number of new trade-restricting measures was modest, the fact remains that restrictions that have accumulated since 2009 are weighing on over a 10th of G20 imports.

"Now, more than ever, G20 governments must continue to work together," Agah said.

G20 members include India, Argentina, Australia, Brazil, Canada, China, France, Germany, Japan, Russia, the UK, and the US.

Source: financialexpress.com– Nov 18, 2020

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Morocco signs 17 investment agreements to boost industry

Morocco signed 17 investment agreements worth $93.6 million recently to boost the industrial sector, hit by the pandemic. These include four memoranda of understanding (MoUs) and two agreements in the textile and leather sector with an investment of $24 million. The projects are expected to create new jobs and generate additional turnover.

The investments seek to create manufacturing units for products, including clothing fabric and geotextiles, cleaning products made from non-woven fabrics, and sewing thread.

The agreements were signed under the chairmanship of minister of industry and trade Moulay Hafid Elalamy, according to media reports in the country.

The ministry also announced the signing of three agreements in the industrial sectors of plastics processing, packaging, and plasticulture, as well as electrical and electronics, worth $1.9 million.

In September, the Ministry of Industry and Trade announced the launch of 100 subsidized investment projects in various sectors, including transport, construction, electronics, textiles, food, mechanics, and metallurgy.

This set of 100 subsidized investment projects is the first of a larger program to launch 500 projects by the fourth quarter of 2021.

To help facilitate investment, the ministry also plan to offer fiscal advantages, including an exemption from the import duty of capital goods, materials, and tools that are part of an investment project exceeding $21.4 million.

Source: fibre2fashion.com - Nov 19, 2020

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U.S. Cotton Trust Protocol Joins Cotton 2040 Sustainability Platform

The U.S. Cotton Trust Protocol has been invited to join the Cotton 2040 coalition.

Convened by sustainability nonprofit Forum for the Future, Cotton 2040 is a partnership that brings together representatives from standards, producers, brands and retailers, and existing industry initiatives to build on and accelerate collective action to scale up and overcome barriers to sustainable cotton uptake.

The U.S. Cotton Trust Protocol is a new system for responsibly grown cotton that provides annual data for six areas of sustainability aligned with the United Nations Sustainability Goals. This year-over-year data allows brands and retailers to better measure progress toward meeting sustainability commitments.

The Trust Protocol also will be included in Cotton 2040's "CottonUP" guide, a toolkit to help sourcing directors make sustainable decisions. The CottonUP guide to sourcing sustainable cotton aims to address one of the main barriers for companies looking to start sourcing or increase the amount of sustainable cotton they source.

The guide highlights the business case and main sourcing options for sustainable cotton, provides guidance on creating a sourcing strategy and on working with suppliers, and shares case studies from companies that have already navigated the complex challenges of sourcing more sustainable cotton.

“We are pleased to see the U.S. Cotton Trust Protocol recognized by Cotton 2040 and listed on their CottonUp guide,” Gary Adams, president of the U.S. Cotton Trust Protocol, said. “The Trust Protocol is a unique tool for brands and retailers, and we will continue to partner with them in their efforts to demonstrate progress toward sustainability goals.”

Cotton 2040’s interactive CottonUp guide recognizes the U.S. Cotton Trust Protocol as a sustainable cotton standard alongside BCI, CmiA, Fairtrade, myBMP, organic and recycled cotton.

“The apparel sector is under huge pressure to reduce its social and environmental impact, and increasing demand for more sustainable fibers is key to securing future supply,” Sally Uren, CEO at Forum for the Future, said. “The CottonUP guide addresses a long-standing need in the industry for clarity around cotton sourcing options, providing brands and retailers with the resources to help them go further, faster. It can be a key enabler for systemic change in the industry, and could be a blueprint for other commodities in the future. We’re happy to include the Trust Protocol as a new sustainability standard.”

Cotton 2040 envisages a sustainable global cotton industry that is resilient in a changing climate, uses business models that support sustainable production and livelihoods, and where sustainably produced cotton is the norm.

Choosing Trust Protocol cotton will give brands and retailers the critical assurances they need that the cotton fiber element of their supply chain is more sustainably grown with lower environmental and social risk. Brands and retailers will gain access to U.S. cotton with sustainability credentials proven via Field to Market, measured via the Fieldprint Calculator and verified with Control Union Certifications.

Source: sourcingjournal.com - Nov 18, 2020

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Euratex to set up five ReHubs across Europe

Euratex, the European textile and apparel federation, has launched a joint initiative with its members to upcycle textile waste and circular materials all over Europe. The federation aims to create five hubs, known as ReHubs, to process textile waste and become European coordination centres.

To be set up near European textile and apparel districts, these ReHubs will offer the benefit of circular economy by upcycling textile wastes, as a completely new, coordinated, large-scale management of material-streams.

The Hubs' capacity to treat large volumes will create economies of scale, justifying the costs of existing recycling technologies as well as investments into new ones, such as chemical & thermal/melt recycling. This will generate new raw materials for the textile value chains, which is mostly made of SMEs (fiber-to-fiber closed loop), and for symbiosis with other European industries (e.g. automotive or other industries).

The ReHubs will enable the creation of a new European market of secondary raw materials saving additional waste-related costs. They will create and spread knowledge on products' recyclability and product design for a better cooperation between makers and buyers across the industry value chain.

The ReHubs will not only tackle the issue of landfill and incineration, but also will build an opportunity for Europe to strengthen its autonomy for raw materials and provide a healthy recycling ecosystem across Europe.

The ReHubs will create new green jobs. Estimates indicate that around 20 jobs could be created for every 1000 tons of textiles collected, sorted and recycled, ultimately creating up to 120.000 jobs in the European Union.

Source: fashionatingworld.com - Nov 18, 2020

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ETIDI teams up with TTS for a Textile Pilot Plant in Ethiopia

Ethiopian Textile Industry Development Institute (ETIDI) has signed an agreement with Texcoms Textile Solutions (TTS), a Singapore-based consulting firm to upgrade Ethiopia's textile and apparel manufacturing sector.

One of the initiatives in this agreement includes setting up of a 'Textile Pilot Plant' in Ethiopia by ETIDI that will have the entire value chain of textile industry which consists of processes such as spinning, weaving and finishing; and the machinery for these processes will also be installed along with various other machines.

TTS will support ETIDI in setting up this plant with technical knowledge so that the operators can run modern machinery efficiently. The scope of work will cover supplying of machinery, installation, commissioning, training, know-how transfer as well as hand holding till the textile set-up becomes operational.

Housing all relative technologies, the new textile plant aims to encourage entrepreneurship; demonstration/training and know-how transfer; research & development; and product development.

Ethiopia's textile and apparel exports have been growing continuously for last five years and the country is emerging as a strong player in global market.

The Ethiopian government and the relevant organizations/institutes (such as ETIDI) are offering much needed helping hand to its textile sector.

Source: fashionatingworld.com - Nov 18, 2020

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US secondhand clothing market to grow to $80 billion in 2029

According to a new report, the US secondhand clothing market is projected to more than triple in value to $80 billion in 2029.

Even more transformative is secondhand clothing's potential to dramatically alter the prominence of fast fashion—a business model characterized by cheap and disposable clothing that emerged in the early 2000s, epitomized by brands like H&M and Zara.

Fast fashion grew exponentially over the next two decades, significantly altering the fashion landscape by producing more clothing, distributing it faster and encouraging consumers to buy in excess with low prices.

While fast fashion is expected to continue to grow 20 per cent in the next 10 years, secondhand fashion is poised to grow 185 per cent.

The secondhand clothing market is composed of two major categories, thrift stores and resale platforms. But it's the latter that has largely fueled the recent boom. Secondhand clothing has long been perceived as worn out and tainted, mainly sought by bargain or treasure hunters.

However, this perception has changed, and now many consumers consider secondhand clothing to be of identical or even superior quality to unworn clothing. A trend of "fashion flipping"—or buying secondhand clothes and reselling them—has also emerged, particularly among young consumers.

Source: fashionatingworld.com- Nov 18, 2020

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Pakistan: Cotton crop: Textile sector urges govt to increase cultivation area

The country's top export - textile sector on Wednesday sought the government's priority towards the increase of a sizeable cultivation area of cotton crop and its output growth to safeguard the local yarn market.

Pakistan's entire apparel textile sector relies widely on the local cotton production and manufacturing of yarn to meet its global orders, makers and exporters said.

"Due to decline in cotton production, the production of value added textile sector has suffered a lot owing to unavailability of yarn," Muhammad Javed Bilwani, the Chairman, Pakistan Apparel Forum, said.

Dangerously, he said, Pakistan's cotton crop has shrunk to 8.5 million bales, while India's production has grown to around 29 million bales. Government should adopt policies that are being followed by the neighbouring country to increase cotton production, he said.

The textile sector is unclear to strike fresh deals for global orders since new cotton yarn is unavailable to meet the daunting manufacturing demands, he feared.

Citing the PCGA report till November 15, 2020, he said, Pakistan could only help reach 4.02 million bales to ginneries and termed it 'extremely' low as compared to 6.85 million bales last year, showing a fall of 41.27 percent.

The cotton crop is considered as white gold. However, the production of cotton is facing a declining trend with every passing year. "The declining trend is not only inflicting damage to the country's economy but also affecting the farmers and other people associated with this business," he said.

The major causes of fall includes: Reduction in cotton cultivation area and per acre production, low quality of seeds and farmers shifting their focus towards other crops due to lack of government's support, he said.

He said that the alarming shortfall has brought devastating effects to the textile exports and demanded of the government to pay immediate attention by taking immediate short term solutions besides medium and long term measures to beat the long-running crisis.

He proposed a concrete policy with the consultation of value added textile representatives to scale up the cotton output to meet the growing demand of the value added textile industry.

The value added textile exporters, which contribute approximately 54 percent in the country's total exports, provides nearly 40 percent of the urban employment particularly to female workforce and earns largest foreign exchange for Pakistan, should be heard deeply to end the problems.

"The Government must immediately take notice of provision of sub-standard cotton seeds to farmers by the suppliers and strict action must be taken against them as exporters see that supplying sub-standard seeds to farmers is an act against the interest of Pakistan," Bilwani said.

So as to prevent the local inputs market from further jolts, he said, the government should permit import of yarn without any customs and regulatory duties since it has already allowed cotton.

"Pakistan should expand cotton crop cultivation area to meet the requirement of the Value Added Textile Export Industry," he said, showing concerns that Pakistan's textile exports cannot grow if cotton production is stagnant.

Source: brecorder.com – Nov 19, 2020

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Pakistan: Cotton output shows alarming decline

The cotton production in the country witnessed an alarming decline of 2.8 million bales, according to a report released by Pakistan Cotton Ginners Association. The report says that more than 4 million bales were produced in the country which is 41.47 percent less as compared to more than 6.8 million bales produced till November 15 last year.

According to the statistics released by Pakistan Cotton Ginners Association till November 15 local textile mills bought more than 3.1 million bales which is around 40.56 percent less as compared to the last year buying of more than 5.2 million bales during this period. The ginners had the stock of 800,000 bales which is 43.20 percent less as compared to the last year stock of more than 1.5 million bales.

Chairman Karachi Cotton Brokers Forum Naseem Usman while commenting on the report said that as per the statistics of the report this year 5.5 million bales will be produced in the country adding that around 7 million bales will have to be imported to fulfill the demand of the local industry.

Chairman Pakistan Cotton Ginners Association, Dr Jaso Mall Limani told Naseem Usman that major reasons, behind low production of cotton this year is non-availability of good quality seeds, substandard pesticides and to some extent climate change.

Jaso Mal also said that he talked to Federal Minister for Industries Hammad Azhar and Federal Minister for National Food Security Syed Fakhir Imam regarding alarming decline in the cotton production. Both the ministers assured that they will play their role regarding giving incentives to the farmers.

They also assured that import duty on pesticides will be reduced. Dr Jaso Mal stressed on the need of introducing efficient technology and called for ensuring availability of quality seeds and good quality pesticides.

Meanwhile central leader of Pakistan Hosiery Manufactures Association Javed Bilwani said regarding the alarmingly low cotton production the government should take the matter seriously. He also said that government should take steps on war footings and in right direction to increase the cotton production.

Source: brecorder.com – Nov 19, 2020

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Pakistan: Textile exports rise 6pc YoY to $1.3bn in October

Pakistan's textile exports, which account for about 60pc of its overall exports, clocked in at $1.3 billion in October 2020, up 6pc when compared with October 2019 and 8pc when compared with Sept 2020.

In comparison, textile exports of India were down 13pc YoY, while that of Bangladesh registered a slight decline of 1pc YoY in October.

On a cumulative basis, Pakistan's textile exports rose 4pc YoY during the first four months (Juy-Oct) of the current fiscal year (FY21), from $4.6 billion to $4.8 billion.

"The rise in exports can be attributed to strong orders for winter season in the West, which usually tend to be shipped by mid-October," said a report issued by IMS Research. "We understand that most of the large exporters have orders filled till March 2021."

In terms of value, there was a relatively moderate 9pc MoM increase in the exports of knitwear, home textiles and readymade garments (vs. 13pc average in the past three months). Volumes also increased by an average 29pc MoM for knitwear and home textiles, but by a softer 8pc MoM for garments.

Textile imports, on the other hand, declined 5pc MoM to $0.27 billion, while up by a sharp 77pc YoY – potentially indicating export orders remaining healthy for the rest of 2020. Raw cotton imports fell by 7pc MoM but up 8.9pc YoY, which is due to the significant shortfall in domestic cotton production.

"Owing to the uncertainty around the second wave and fresh lockdowns in Europe, Pakistani textile exporters evidently hesitated from importing cotton during the month despite healthy orders," the report stated.

According to IMS Research, only 50pc of the cotton requirement for the sector is available in the market (which has led to a 10-year peak in local cotton prices).

"Exports are likely to increase in the coming months, mainly due to the inlay of orders till March (ahead of summer holidays in Europe and US). In the near-term, the demand for home textiles will remain stronger than that of readymade garments, as the second wave across Europe and US will keep high-street sales at subpar levels. An appreciating PKR is also a risk factor, but it will be partly offset by lower cost of imported cotton.”

Source: profit.pakistantoday.com.pk– Nov 18, 2020

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Bangladesh gets $256.5m Green Climate Fund

Bangladesh has received $256.5 million from the global Green Climate Fund to promote private sector investment through large scale adoption of energy-efficient technologies in the textile and garment sectors.

This is the first concessional credit line for Bangladesh, and the first private sector financing from the GCF in the country, the Infrastructure Development Company Ltd (Idcol) said yesterday.

The fund was approved at the board meeting of the GCF on November 13.

The GCF is a fund established within the framework of the United Nations Framework Convention on Climate Change as an operating entity of the financial mechanism to assist developing countries in adaptation and mitigation practices to counter climate change.

The Idcol, as the direct access entity (DAE) of the GCF, received the approval of the funding proposal for the programme titled "Promoting private sector investment through large scale adoption of energy-saving technologies and equipment for Textile and Readymade Garment sectors of Bangladesh".

It is the largest approved funding proposal for any DAE of the GCF accredited globally, the Idcol said in a press release. Under the programme, Idcol will get $250 million concessional loan for a tenure of 20 years with a grace period of five years for financing energy-efficient equipment.

Another $6.5 million will come as technical assistance (grant) to develop enabling environment by covering areas such as capacity building, awareness, support in loan disbursal and monitoring and evaluation of the programme parameters.

Out of $250 million loan, $100 million will be utilised to finance textile sector energy efficiency projects, while $150 million will be channeled to four local financial institutions for financing energy efficiency projects in the RMG sector.

The total programme size will be $423.50 million, including co-financing from Idcol, local financiers and the project sponsors, Idcol said.

"This programme is a remarkable success for Idcol in terms of accessing climate change fund to pave the path for the country to achieve its Sustainable Development Goals (SDGs)."

It is a massive achievement for the country, and Idcol as a lot of requirements have to meet, and due diligences have to be carried out to get the fund from the GCF, said Mahmood Malik, executive director of Idcol.

The fund for the garment sector would be distributed through three banks and one non-bank financial institution, he said.

Lenders would get the fund at a flat rate of 1.75 per cent for 20 years. Industries would get the loans at 4.75 per cent, Malik said.

The Sustainable & Renewable Energy Development Authority is also implementing a component of the programme to strengthen the regulatory and institutional framework at the national level to overcome the operational constraints related to implementing energy efficiency and conservation in the country.

Presently, the industrial sector in Bangladesh accounts for 47.8 per cent of commercial energy consumption. Textile and RMG account for approximately 38 per cent of the total energy consumption in the industrial sector.

The readymade garment sector is the largest industrial contributor in CO_2 emissions at 15.4 per cent, followed by the textile sector at 12.4 per cent, according to the GCF website.

"These sectors are not operating efficiently because of continuous usage of old and badly maintained machines coupled with poor energy management."

If the current industrial energy intensity persists, along with the economic growth outlook in the medium to long term, Bangladesh will face severe difficulties in managing rising energy demands and achieving its GHG emission reduction targets under the Paris Agreement, the GCF said.

Textile and garment manufacturers face several barriers to investing in energy efficiency including inadequate financial incentives, lack of technical expertise and the lack of an enabling environment.

The sectors must overcome these barriers so that Bangladesh can meet its nationally determined contributions target of 15 per cent GHG emission reduction compared to a business-as-usual scenario by 2030, the Fund said.

The programme provides an integrated package of concessional financing for textile and RMG manufacturers, and technical assistance to create an enabling environment and ultimately to reduce 14.5 million tonnes of carbon dioxide equivalent in emissions.

Set up in 1997, Idcol is a government-owned non-bank financial institution working to catalyse private sector investment in the areas such as renewable energy and infrastructure.

Source: thedailystar.net– Nov 17, 2020

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RCEP would have hurt India's economy, FTA with EU not easy: S Jaishankar

India did not join the Regional Comprehensive Economic Partnership (RCEP) trade deal because it would have had "negative consequences" though the country is interested in a "fair and balanced" free trade pact with the European Union (EU), external affairs minister S Jaishankar said on Wednesday.

New Delhi had indicated its concerns with RCEP at the East Asia Summit a year ago because a number of key concerns had not been addressed during the prolonged negotiations for the trade deal, Jaishankar said during an online conversation on India-EU relations organised by the Centre for European Policy Studies.

"We took a call given that the way (RCEP) is currently, that it is not in our interest to enter this agreement as it would have fairly immediate negative consequences for our own economy," he said, adding this wasn't India's "generic position on trade".

The 10 member states of the Association of Southeast Asian Nations (Asean) and Australia, China, Japan, New Zealand and South Korea signed RCEP on Sunday. Japan led the drafting of a ministers' declaration that left the door open for India to join the world's largest trading bloc, covering nearly a third of the global economy, at a later stage.

Referring to a long-delayed proposal for a free trade agreement (FTA) with EU, Jaishankar said the Indian government had spoken of the need to resume negotiations on this. India, he added, wants a "fair and balanced FTA" with EU.

"I recognise that an FTA with Europe is not an easy negotiation. In the world, it must be the most difficult negotiation because it's a very high standard FTA," he said. He noted the two sides were looking at various proposals, including a separate agreement on investments or an "early harvest" deal.

Jaishankar also highlighted the importance attached by India to mobility agreements with European states to facilitate the movement of skilled professionals. There are about 34 million people of Indian-origin across the world, including almost nine million in West Asia, he pointed out.

India wants to ensure mobility or migration is legal to prevent any exploitation of workers, and mobility agreements allow countries to "work out the rules of the game" and eradicate "bad practices", he said.

Jaishankar also spoke of the urgent need to reform the UN, saying: "It's common sense – after all, in our life, what is it which is 75 years old which you are still using? Everything requires some kind of refreshing (and) updating and we can't let the interests of one or two countries which want to freeze one moment of history for their perpetual gain to continue."

He added, "The longer we let this stalemate, this gridlock continue – frankly, it's harming the UN. I don't think the UN is coming out of this well."

Source: hindustantimes.com– Nov 18, 2020

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Limited deal: Trade pact with US likely to be delayed

If the proposed interim India-US trade agreement is designed to cover barely 15% of the trade between the two countries, Washington seems in no great hurry to clinch even this limited deal. This is even as New Delhi, unenthused about revisiting the China-dominated Regional Comprehensive Economic Partnership (RCEP), seeks to counterbalance any potential damaging effect of the bloc on its foreign trade with bolstered ties with the US and EU, two among its three largest export markets.

The proposed "limited deal" with the US could cover an annual trade of about $13 billion. "The US response to the proposal is still awaited," a source told FE. With Joseph R Biden's victory in the American presidential polls, analysts are expecting a further delay in the clinching of the deal, as even some of the settled issues may also be reviewed by the new administration.

Indian officials, however, indicate that New Delhi is willing to wait for a win-win deal for both. The limited deal was negotiated for months, before the US election purportedly slowed down the process.

This deal was to be followed up with bilateral talks for a broader free trade agreement (FTA), the imprerative of which has only risen after the conclusion of the China-dominated Regional Comprehensive Economic Partnership (RCEP) deal on Sunday. The US is India’s largest export destination.

Under the “limited” deal, India was pushing the US for a complete restoration of duty benefits for it under the so-called Generalised System of Preferences (GSP). This will mean duty-free Indian supplies of over $6 billion a year (the tariff forgone for the US was only $240 million in 2018). This deal is expected to be almost evenly balanced in terms of trading value for both the partners.

However, with the new US administration taking over early next year, India may be willing to even expand the coverage of the deal on a reciprocal basis, a source said. In that case, the limited deal may be converted into a preferential trade agreement involving dozens of key products, which will set the stage for an FTA subsequently.

According to the source, India may consider opening up its dairy and poultry sectors partially if it gets a good deal from the US in textiles and garment and pharmaceuticals. In garments, for instance, the US import duties for India currently range between 16.5% and 32%.

As part of the limited deal, India is learnt to have offered to reduce tariffs on high-end bikes like Harley Davidson, extend greater market access in farm products, including cherry, and sweeten its initial offer on easing price caps in medical equipment.

India is willing to apply trade margin on coronary stents and knee implants at the first point of sale (price to stockiest), instead of imposing it on the landed prices, as was proposed by it initially, to make it more attractive for American companies like Abott. India is also willing to resolve certain non-tariff measures, such as certification process for some dairy products and market access in alfalfa hay and pork.

However, negotiations on the American demand for India to scrap duties on seven ICT products, including high-end phones and smart watches, are yet to be concluded, said the source. New Delhi had earlier estimated that any such move would mean a potential customs revenue loss of $3.2 billion or more a year.

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

New Delhi has been critical of stringent US patent protection laws and various steps by the Food and Drug Administration (FDA), which have dented India's exports of pharmacetical products. This is among the important non-tariff barriers that India wants the US to remove.

In Septmeber, commerce and industry minister Piyush Goyal had said US trade representative Robert Lighthizer and he had agreed that "we can look to finalising (the limited deal) before the (US) election, or otherwise soon after the election".

Analysts have said any US move to rejoin the ambitious Trans-Pacific Partnership (TPP) trade deal with 11 others, which was rejected by the Trump regime, will further pressure India to redraw its trade ties to ensure it's not left behind in integrating with global supply chain.

However, even if a deal may take some more time now, it's worth waiting for, analysts say. This is because the Biden administration will likely be more pragamatic and may not view trade ties with countries, especially strategic allies, striclty from the narrow prism of American trade deficit, as Donald Trump did, they add.

However, given that Trump has gone too far with protectionist measures through his "America First" policies, it won't be easy for Biden to unwind them quickly.

Source: financialexpress.com– Nov 18, 2020

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Import substitution strategy not against free and fair trade

The impact of Globalisation in raising the per capita income of the developing countries during 1990 and 2008 was an undisputed testimony to silence the critics who were lamenting the invasion of sovereignty of the low-income countries by rising trend of global trade that increased its share in GDP by more than 56%.

The concept of free and fair trade was formalised under the GATT regulations and the role of WTO in promoting the case of Special and Differential treatment for the developing countries alongwith protracted regulations against cheap flow of goods in terms of dumping, subsidising, sudden surge of imports etc. assured all the countries of the independent and transparent nature of global trade.

The events in the post Lehman crisis, however, took shape on a different note. The emergence of China as a low cost producer and aggressive capacity augmentation enabled China to send a whole range of commodities and services as a major exporter replacing some of the advanced countries.

The global trade in the subsequent period witnessed protective policies in the form of a series of tariff and non-tariff barriers adopted majorly by the rich countries culminating in USA proclaiming unilateral imposition of duties under section 232 (threatening security) for steel and aluminium against all trading partners. The Covid-19 pandemic brought down global trade by 13 to 32% according to official assessment.

India's manufacturing sector has not been able to match its global counterparts in terms of productivity, capacity building and cost effectiveness.

The call for 'make in India' and 'vocal for local' is an attempt to rebuild and restructure Indian manufacturing predominated by MSME sector to achieve higher standards of performance.

To describe such an attempt of import substituting industrialisation (ISI) as a "strategy that seeks to develop industrial capacity by shielding domestic producers from foreign competition" as commented by Economist (Nov 7, 2020 edition) appears uncharitable.

The arguments offered against ISI relate to irrational economic calculation in favouring domestic industries based on political self-interest, sheltering of local inefficient and complacent industries behind high tariffs. It is mentioned that India with its poorer and less integrated domestic market would deprive the consumers to derive the fruits of competition and technology and restrict the benefits of growth in the emerging economies like China and India from spreading to other countries of the world.

The purpose of a self-reliant India is to encourage domestic firms to produce goods that would cater primarily to the domestic market and also to explore export markets for higher capacity utilisation. The GOI has in the last few months issued notifications to restructure the outstanding loans, facilitate liquidity for working capital and capacity expansion drives, liberalise bankruptcy rules and introduce export incentives.

The call for minimising imports of defence goods in a phased manner, to develop indigenous capability of producing engineering goods by promoting Indian capital goods industry and urging domestic steel sector to produce various speciality steel so as to facilitate production of a variety of engineering goods by being a part of the global value chain is a laudable strategic focus that any emerging country adopts and this is not against rational economic calculation.

Rationing of foreign exchange by replacing imports by the poor countries, the argument put forward by noble laureate Gunnar Myrdal, is still applicable and India as an emerging economy which has brought down high tariff wall substantially in the past few years is definitely not against the benefits of specialisation and global trade. There is a renewed thrust to become export oriented and, in this respect, the Indian industry is facing stiff challenges by various trade restrictive measures adopted by countries.

The ISI pursued by India is not against free and fair trade for which WTO compliant trade measures are available. India wants its manufacturing sector to reach global standard of excellence by creating an enabling environment. Wealth creation would only be possible to share with others by being a dominant player in both indigenous and external market. Atmanirbhar Bharat is a prudent step in that direction.

Source: financialexpress.com– Nov 18, 2020

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Indian economy likely contracted 10.2% in the July-September quarter, experts say

The Indian economy likely contracted 10.2% in the July-September quarter from the year earlier according to the median estimate of 10 economists and experts polled by ET, which would be a substantial improvement from the 23.9% decline in the June quarter due to the Covid-led lockdown.

It's also an advance from the 12% median estimate in poll ET conducted in September as the economy picked up pace toward the end of the second quarter. At a contraction of 10.2% from the year earlier, the implied sequential growth from the first quarter would be 57%.

The latest estimates of the contraction ranged from 8% to 13.5% as agriculture and manufacturing propped up growth, aided by favourable government policies, while the services sector lagged behind on account of continued restrictions and consumer caution, independent economists said. The government is expected to announce second-quarter GDP figures at the end of this month.

"The pace of contraction in GDP is likely to have more than halved in Q2 FY2021 as compared to Q1 FY2021," said ICRA principal economist Aditi Nayar, adding that growth during the quarter was led by electricity within the industrial sector followed by mining and manufacturing. ICRA has estimated a second-quarter contraction of 9-10%. Industrial production expanded 0.2% in September, reversing six months of contraction with mining and electricity growing 1.4% and 4.9%, respectively.

The Purchasing Managers' Index (PMI) rose to the highest in eight-and-a-half years in September and goods and services tax (GST) collections rose to a post-pandemic high of Rs 95,480 crore.

Tackling supply issues helped

September also saw record e-way bill generation at 57.4 million.

While demand remained constrained, the removal of supply side restrictions drove growth, according to Rahul Bajoria, chief India economist at Barclays, estimating an 8% contraction in the second quarter.

"Since August, India's recovery is happening largely because the supply constraints that were very debilitating were removed and activity suddenly picked up," Bajoria said. While October saw improvements, pent-up demand combined with a festive season upsurge drove growth toward the end of the second quarter, said Pronab Sen, former chief statistician of India. He projected a 5-8% contraction in the September quarter.

"The level of economic activities in July and August were not very different from June," said DK Pant, chief economist at India Ratings and Research, pegging the September quarter contraction at 11.9%. "It was only in September that economic activities have shown significant improvement."

The uptick in the July-September period and evidence of further acceleration in October and November triggered upgrades in FY21 GDP estimates.

Capacity utilisation low

Goldman Sachs said Tuesday it expects India's economy to shrink 10.3% in FY21, compared with a 14.8% contraction it projected in September. While agriculture fared comparatively well, floods in many parts of the country disrupted the farm sector. The shortage of migrant labour resulted in patchy recovery in the construction sector, according to M Govida Rao, chief economic advisor at Brickwork Ratings.

"Although the relaxation of the lockdown resulted in an improvement in economic activity to some extent, the capacity utilisation continued to be low," Rao said, estimating second-quarter shrinkage at 13.5%.

"The important thing is for six consecutive months we are seeing negative growth," said Madan Sabnavis, chief economist at CARE Ratings. "But this is very much on expected lines given that it was a manmade lockdown." The gradual pace of recovery is due to the calibrated lifting of restrictions, he said. The agency expects a 9.9% contraction in the second quarter.

RBI played key role

HDFC Bank estimated the second-quarter contraction at 11% while State Bank of India Research pegged it at 10-10.5% with a downward bias.

While most economists agreed that the Reserve Bank of India (RBI) played its part in terms of providing support through monetary policy during the quarter, they felt fiscal policy was lacking. The government last week announced a Rs 2.65 lakh crore stimulus package - the third in the series - to provide a boost to the Covid-hit economy.

Although a major stimulus was not called for in the second quarter, Sen said the government should have made its intentions clear and announced the steps it was going to take to provide some assurance to various sectors of the economy.

Source: economictimes.com– Nov 19, 2020

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Garment exporters seek preferential deal on apparels with UK prior to FTA

Express concern over growing competition from Bangladesh which may continue to get preferential trade benefits

Garments exporters have asked the Centre to strike a preferential trade deal on apparels with the UK, prior to negotiating a full-fledged free trade agreement (FTA) with the country, to remove the tariff disadvantage faced by Indian apparels in the UK market.

In a letter to Commerce and Industry Minister Piyush Goyal, the Apparel Export Promotion Council (AEPC) stated that after the implementation of Brexit in January 2021, 47 least developed countries (LDCs), including Bangladesh, were likely to continue to enjoy preferential trade benefits in the UK. This will lead to continued disadvantage for Indian apparels in the UK, which is an important market for India and has a lot of potential for growth.

"India has been losing out to its competitors in the UK and hence we request to initiate discussions for an early trade pact for apparels in the run-up to an FTA," AEPC Chairman A Sakthivel wrote in the letter. AEPC had earlier asked the government to fast-track negotiations to enter into an FTA with the UK to boost apparel exports.

However, it now seems that it may take a while before full-fledged FTA talks can begin between India and the UK.

Tariff disadvantage

AEPC said that apparel exports to the UK, which is India's third-largest export destination after the US and the UAE, have been facing a tariff disadvantage of 9.6 per cent compared with countries like Bangladesh due to the EU's Generalised Scheme of Preferences (GSP).

"It's not a matter of LDCs (anymore). Bangladesh is equally competitive now and its exports grew at 11.7 per cent during 2009-18, when our exports stagnated at 0.5 per cent. Bangladesh exported apparels worth $40.4 billion, whereas we did $16.5 billion in 2019. It's a labour- intensive sector and we need to ask for a special consideration in our bilateral relations with the UK," Sakthivel said.
India's readymade garment exports to the UK fell 0.8 per cent to $1.6 billion in 2019 from $1.6 billion in 2018, the release said.

Source: thehindubusinessline.com– Nov 18, 2020

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Banks can consider extending time limit for settling import dues: Expert

Q. We have ordered some goods from a foreign seller on free on board (FOB) basis. We have to pay in advance. When we approached our bank they told us that the remittance can be made but we have to take a marine insurance policy for the shipment. Is the bank's demand correct?

RBI Master Direction no.17/2016-17 dated January 1, 2016 (as amended) on Import of Goods and Services does not prescribe any such condition. It is possible that the banks want to secure your interests and in case they are extending credit to you, want to guard their interests also against a risk where the money is paid to the foreign party but the goods shipped are lost in transit.

Q. We received the import documents directly from the seller abroad. The goods are cleared and found defective. We have not made payment as the dispute is not yet resolved. What action we are required to take under FEMA Regulations pending resolution of the commercial dispute?

As per Para B.5.4 of the above referred Master Direction, banks can consider granting extension of time for settlement of import dues up to a period of six months at a time (maximum up to a period of three years) irrespective of the invoice value for delays on account of disputes about quantity or quality or non-fulfillment of terms of contract, financial difficulties and cases where the importer has filed suit against the seller. Any sector-specific guidelines (i.e. rough, cut and polished diamonds) will be applicable.

Q. We have exported certain goods and sent the shipping documents through our bank on collection basis. Now the buyer has requested delivery of documents without payment and has assured full payment within the nine-month period stipulated by RBI. We understand the liquidity problems of our buyer and want to accede to his request. We are not sure if our bankers will agree. Please guide us.

As per Para C.10 of RBI Master Direction no.16/2015-16 dated January 1, 2016 (as amended), banks can allow status holders (as per FTP), SEZ units and regular customers with good standing and track record to directly dispatch export documents to the buyer.

Banks can even regularise cases where the documents (up to $1 million per shipment) have already been dispatched by the exporter directly to the buyer abroad, subject to fulfillment of certain conditions. Based on these instructions, I think your bank can accede to your request provided you are a regular customer of the bank with good standing and track record, compliant with the “Know Your Customer” guidelines and you satisfy the bank about making suitable arrangements for realisation of export proceeds.

Q. As per Para 5.04 of HBP, installation certificate for capital goods imported under EPCG scheme can be certified by the jurisdictional Customs authority. Does it mean the Customs authority at the port?

No. It means the Customs authority having jurisdiction over the premises where the capital goods are installed.

Source: business-standard.com– Nov 17, 2020

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Silk exports shrink as pandemic hits demand

Shipments of silk products have taken a major beating as the Covid pandemic has shrunk the demand in key markets of Europe and the United States, exporters said.

The exports are down by 28 per cent in dollar terms during the April-September period this year over corresponding last year. Shipments stood at $79.16 million or ₹591.72 crore during April-September as against $111.19 million or ₹791.89 crore in the same period last year.

"The spread of Covid and lockdown in the US and Europe are the main reasons for the decline in exports. The outlook for the rest of the year is not that great as the spreading of a second Covid wave in these regions is a big worry," said Bimal Mawandia, Chairman of the Indian Silk Export Promotion Council. Mawandia further said that for the current financial year, exports of silk goods could be lower by 40-50 per cent over last year's $350 million.

"In the first three to four months of the current financial year, the exports were down by 80-90 per cent due to the lockdown and other logistics issues. As silk is a luxury item, buyers are very cautious," he said.

Imports, too, suffer

India, the second largest silk producer in the world after China, also has a big domestic market. In fact, India imports raw silk to meet its domestic demand.

Moreover, it's not just the silk goods exports that have been impacted. Even the imports of raw silk, yarn and fabrics have taken a beating due to the Covid. Silk goods imports fell sharply to ₹272 crore ($36.22 million) during H1 this fiscal from ₹781 crore ($110.15 million) in the same period last year, on account of sharp decline in import of raw silk and yarn. H1 raw silk imports were valued at ₹203.92 crore ($27.17 million) as compared to ₹588.45 crore ($82.92 million) in the same period last year.

Source: thehindubusinessline.com– Nov 18, 2020

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PM Modi, Luxembourg's Bettel to discuss cooperation in post-Covid-19 world

Summit to take palce on November 19; will focus on international issues of mutual interest

Prime Minister Narendra Modi and his counterpart from Luxembourg Xavier Bettel will discuss bilateral issues, including strengthening relationship in a post-Covid-19 world, at the India-Luxembourg Summit on Thursday to be held virtually.

"India-Luxembourg Summit, the first in last two decades, will be an opportunity to lay the platform for cooperation between the two countries in a post-COVID-19 world," according to an official.

Luxembourg's importance stems from it being one of the founding members of the European Union (EU) as well as one of the three official headquarters to the EU's institutions along with Brussels and Strasbourg, the official added..

Luxembourg is also the fifth largest investor from the EU after the Netherlands, Germany, France and Cyprus, and the fifteenth largest investor in India. Since July 2014, Luxembourg's cumulative investment in India has more than doubled – from $ 1.088 billion to $ 3.082 billion (March 2020). Luxembourg is the third largest source of Foreign Portfolio Investments (FPI) investments in India after US and Mauritius accounting for approximately 8.5 per cent of these investments.

The two leaders will also exchange views on international and global issues of mutual interest, according to an official release.

India and Luxembourg have continued to maintain high level exchanges in the recent past. The two Prime Ministers have met previously on three occasions.

Source: thehindubusinessline.com– Nov 18, 2020

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