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# INTERNATIONAL NEWS

## Update on U.S. Trade Agreement Talks

The U.S. is conducting or exploring negotiations on bilateral trade agreements with a number of trading partners. U.S. Trade Representative Robert Lighthizer provided the following updates on these talks in June 17 hearings before the Senate Finance and House Ways and Means committees.

**China**

Senate Finance Ranking Member Ron Wyden, D-Ore., said the phase one trade agreement the U.S. and China concluded in January 2020 did not sufficiently address U.S. concerns about intellectual property theft and forced technology transfers and "is already coming apart" because China is falling behind on its commitments.

Lighthizer acknowledged that China is not currently on pace to buy the agreed amounts of U.S. agricultural and energy products, due at least in part to the economic ramifications of the COVID-19 pandemic. However, he said, "every indication is that … they are going to do what they say," and additional purchases are expected later this year. Secretary of State Mike Pompeo added that in a June 18 conversation China's top foreign policy official "recommitted to completing and honoring all of the obligations of Phase 1 of the trade deal between our two countries."

The U.S. and China have said they plan to negotiate a phase two agreement, which Lighthizer said will focus on issues of overcapacity, subsidization, disciplines on China's state-owned enterprises, and cyber theft, but no date for the initiation of those talks has yet been announced.

**European Union**

A U.S. trade agreement with the EU is "not looking good in the short term," Lighthizer said, citing the EU's policies on agricultural biotechnology as particularly problematic. According to *Inside US Trade*, he added that he is considering a Section 301 investigation of those policies that could lead to tariffs on imports of EU goods if necessary "to get a fair shake for American businesses." He also said that "with recent changes in EU leadership, the United States is hopeful for more progress in the coming year."

**United Kingdom**

The U.S. and the UK are currently conducting a second (virtual) round of talks on a bilateral trade agreement that would come into force after the UK officially leaves the EU. According to press reports, Lighthizer said the White House wants this to be “a full-blown agreement” but downplayed the prospects of concluding it before the end of 2020.

“These things will take time,” the National Association of Farm Broadcasters quoted him as saying, “both because they’re complicated but also because each of us has to wrap ourselves around the fact that there is going to be a compromise in reaching a major trade deal.” For example, he indicated that the U.S. will be pushing for the UK to ease current restrictions and expand market access for U.S. agricultural products.

**Japan**

Lighthizer said the U.S. and Japan, which concluded a limited trade agreement in September 2019, intend to enter into further negotiations on customs duties, barriers to trade in services and investment, and other trade restrictions. Talks are expected to begin in a few months.

**Kenya**

USTR recently issued a summary of the specific objectives the U.S. has in negotiating a trade agreement with Kenya, and Lighthizer said he expected talks to get underway soon.

However, Kenyan President Uhuru Kenyatta said recently that negotiations will be delayed until after the African Continental Free Trade Area takes effect. That had been set for July 1 but appears to have been delayed indefinitely due to the effects of the COVID-19 pandemic.

**Brazil**

USTR previously announced plans to conclude this year an agreement with Brazil on trade rules and transparency, including trade facilitation and good regulatory practices. According to press sources, Lighthizer clarified in the Ways and Means hearing that this agreement is designed to resolve “specific problems” with Brazil and that the U.S. has no plans at the moment for a bilateral free trade agreement.

Source: strtrade.com– Jun 20, 2020

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## Textile and apparel companies record worst performance in Q1 2020

Textile and apparel companies recorded worst sales in the first quarter of fiscal 2020 leading to a slew of bankruptcies and severe declines for manufacturers. Fibers firms Lenzing and Unifi saw their quarterly revenues decline on soft demand and weak pricing, causing profits to tumble. In the case of Unifi, its net loss grew 264 percent to $41.1 million.

For basics apparel manufacturers like Gildan Activewear and Hanesbrands that own most of their own production, sales were down 26.4 percent for the former and 11.9 percent for the latter, but earnings nosedived more than 100 percent and profit margins suffered.

For Hanesbrands, which like many companies pivoted a share of production to personal protective equipment, earnings fell 109.7 percent to a net loss of $7.87 million.

For jeans mavens Kontoor Brands and Levi Strauss, revenue declines were less dramatic–Levi's actually pulled off a 5 percent gain–but earnings tumbled, again with the exception of Levi's, which posted a 4 percent increase.

Wrangler and Lee parent Kontoor Brands saw earnings fall 118 percent to a net loss of $2.71 million, while earnings at VF declined a staggering 475.6 percent to a net loss of $483.8 million.

Specialized brands saw an equally unfortunate fate. Columbia Sportswear's sales in the quarter were down 13 percent, but net income decelerated 99.7 percent to $200,000.

Puma's sales fell a slight 1.3 percent, but the sneaker-driven athletic company saw earnings decline 62 percent to $39.2 million.

Source: fashionatingworld.com– Jun 19, 2020

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# USA: Cotton Prices Show Higher Highs...and Higher Lows

China continues to step up to the plate as sales improve and shipments flow. Better still, cotton futures featured a week of higher highs and higher lows. Thus, the Bulls are hoping for continuing strong export sales.

Likely however, this week's market excitement resulted from simply trading within the trading range. Before we get too excited, the market continues to trade within its five cent 55-60 cent trading range, basis the new crop December. The old crop July attempted to trade up to its 62.50 cent price resistance level and settled the week at 61.56 cents.

Too, December promises a higher trading range. However, July's first notice day comes Wednesday, so it is all but done. Nevertheless, July futures prices jumped further ahead of December this week and now guarantees a squeeze on the July contract.

The principal Memphis merchant is expected to take all deliveries. It is believed the certificated stocks are desperately needed to fulfill export sales requirements.

December going first notice Wednesday dictates that October will become the lead month. However, October is thinly traded. Consequently, the December futures contract will become the primary contract. Certainly, open interest in the December contract far exceeds that underlying the October contract. Despite this week's strong finish higher, the 55.50-60.50 cent trading range in December will continue to dominate.

However, that range should move some two to three cents higher as the market begins to pay more attention to crop conditions in the U.S. and in other major producing countries.

Chinese production is slightly challenged, but conditions in India favor a very large crop. India, the world's largest producer, could produce a record crop – just when it is not needed.

As indicated, exports have remained favorable, given the world-wide pandemic. Yarn sales and spinning activity have shown improvement, albeit slight.

Apparel sales continue to woefully lag, but apparel internet sales have rebounded. While cotton consumption remains weak, it is improving, and mills are now more agreeable to pay the market price rather than wait for lower prices.

China and Vietnam were the primary buyers on the week, buying 90,700 and 19,700 bales respectively. Weekly shipments led the week's good news, as shipments totaled 348,300 bales of upland and 5,900 bales of Pima.

There are seven weeks remaining in the current marketing year. Of some concern is the fact that 2020-21 marketing year export sales are some 20% behind year ago sales.

New crop sales stand at only 3,176,000 bales. The December contract will have to address that at some point. However, total 2019-20 export sales stand at some 17.4 million bales, of which 12.4 million have been shipped.

Essentially, the difference between sales and shipments will be carried over to next year, adding to next year sales and helping to address the just mentioned sales imbalance for next year.

The current pace for 2019-20 shipments would yield an export total of 15.2 million bales (see the weekly export sales and shipments report here).

The rumor that China would fulfill its Phase One import agreement regarding U.S. agricultural goods became the fact today and likely was the impetus behind the weekly rally. Likewise, cotton has long been a channel trader, and the December trading channel called for higher prices this week.

Thus, it was a good week. However, prices are still locked in the 55-65 cent zone, with 65 cents likely being a bit rosy. We will see.

Mother Nature is beginning to take her three-to-four month control of the market. Yet, this year, some good demand could be manna from heaven.

Source: cottongrower.com– Jun 19, 2020

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# US fashion brand Forever 21 re-enters UK, European market

US fast fashion brand Forever 21 is launching new localised online stores in the United Kingdom and across Europe to attract British and European consumers due to 'high demand' for the brand following its exit last year.

The launch is part of the brand's new e-commerce-based global expansion strategy and comes in partnership with cross-border e-commerce solutions provider Global-e.

Global-e will enable the rollout to ensure a seamless experience tailored to each market. The online expansion to the UK and Europe follows the success in Asia-Pacific and Latin America earlier this year, according to British media reports.

Since implementing this new approach, Forever 21 has reported 'significant uplift' in conversion rates and the number of orders across these markets. In Taiwan, conversion rates rose by 72 per cent year on year (YoY) and in Australia, the brand achieved a 133 per cent YoY uplift in conversion rates since launching its dedicated localised offering.

UK customers can buy the brand's latest fashion collections in pounds, with prices that are tax and duty inclusive, and no hidden costs added at checkout or upon delivery. In addition, the brand is offering free express shipping for all purchases over 70 pounds, an easy returns process and an all-new Forever 21 App.

Forever 21 will also be partnering will payment solutions such as Klarna to offer their customers convenient and efficient payment solutions.

Globally, the Forever 21 international online offering now includes support for over 95 currencies, more than 150 local and alternative payment methods, localised checkout in 25 languages, various shipping methods and a transparent and easy returns process.

Source: fibre2fashion.com– Jun 19, 2020

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# Tremendous rise in global trade of true hemp (raw/retted)

The global trade of true hemp (raw or retted) has shown a considerable growth in 2019. Total trade grew 51.69 per cent from 2017 to 2019, according to data from TexPro. The global trade of true hemp was $17.46 million in 2017, which moved up to $26.49 million in 2019. The total trade of true hemp rose 21.95 per cent in 2019 over the previous year.

Further, the trade of true hemp is anticipated to grow to $50.03 million in 2022 with a rate of 88.90 per cent from 2019, according to Fibre2Fashion's market analysis tool TexPro.

The global export of true hemp was $10.39 million in 2017, which increased by 61.31 per cent to $16.77 million in 2019. Total exports jumped 27.25 per cent in 2019 over the previous year and is expected to move up to $ 34.38 million in 2022 with a rate of 104.97 per cent from 2019.

The global import value of true hemp was $7.07 million in 2017, which improved 37.46 per cent to $9.71 million in 2019. Total imports increased 13.77 per cent in 2019 over the previous year and is expected to grow to $15.66 million in 2022 with a rate of 61.17 per cent from 2019.

Switzerland ($5.20 million), Luxembourg ($3.57 million) and Netherlands ($3.37 million) were the key exporters of true hemp across the globe in 2019, together comprising 72.36 per cent of total export. These were followed by Bulgaria ($0.97 million), Spain ($0.93 million) and Romania ($0.77 million).

From 2016 to 2019, the most notable rate of growth in terms of export value, amongst the main exporting countries, was attained by Switzerland and Luxembourg.

Czech Republic ($3.06 million), Austria ($2.73 million) and Germany ($0.79 million) were the key importers of true hemp across the globe in 2019, together comprising 67.73 per cent of total import. These were followed by Slovenia ($0.36 million), US ($0.33 million) and Luxembourg ($0.31 million).

From 2016 to 2019, the most notable rate of growth in terms of export value, amongst the main importing countries, was attained by Austria.

Source: fibre2fashion.com– Jun 19, 2020

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## EU apparel imports dwindle from January-March ’20

The European Union (EU) dwindled both volume-wise and value-wise in its apparel imports during January-March 2020 period. The imports fell in the aftermath of the COVID-19 in Europe.

EU imported € 19.58 billion worth of garments in the first quarter of 2020, falling by 11.46 per cent on the yearly note. While the import volumes plunged by 12.69 per cent, the unit values (per kg of the garments) escalated by 1.41 per cent to € 18.72. The Chinese shipment to EU tumbled by18.69 per cent in Q1 ’20 and clocked € 5.16 billion revenue. Volume-wise, China exported 282.52 million kg of garments to EU only to see 20.81 per cent downfall on Y-o-Y basis.

Unit values of the Chinese shipment surged by 2.69 per cent and stood at € 18.27 in Jan.-Mar. ’20 period. Bangladesh’s fall in its apparel shipment to EU was comparatively less. The country exported € 4.27 billion worth of garments to EU, noting 10.63 per cent fall, while volumes declined by 10.33 per cent in Q1 ’20.

Interestingly, Bangladesh stayed ahead of China in terms of values of knitted garment exports to EU. Chinese export in knitted segment was € 2.34 billion (down 16.75 per cent), while Bangladesh was marginally ahead with € 2.37 billion (down 9.11 per cent) worth of shipment.

In woven clothing, China was far ahead of Bangladesh with € 2.81 billion (down 20.23 per cent) worth of shipment to EU, while latter could manage to ship just € 1.90 billion (down 12.46 per cent) worth of woven garments to its largest export destination. Turkey’s growth too decelerated by 11.02 per cent in shipment values and 12.41 per cent in volumes. The country shipped 98 million kg of garments to EU worth € 2.311 billion.

India and Vietnam too noted fall in their respective apparel exports to EU. Vietnam plunged substantially by 11.35 per cent to clock € 780.82 million from its RMG shipment to EU, while volumes shipment stood at just 30.61 million kg in Q1 ’20, falling 12.65 per cent from a year earlier.

India's fall was significant both in volumes (down 18.39 per cent) and values (down 19.77 per cent). The country shipped 57.49 million kg of garments to EU in Jan.-Mar. '20 period worth € 1.18 billion.

The major fall was reported in the month of March when EU declined by 19.20 per cent in volume terms due to drastic fall in the Chinese shipment. The import values also fell by 21.40 per cent, while UVR reduced by 2.60 per cent.

Chinese shipments tumbled by 33.20 per cent in volume terms in March on Y-o-Y, while the values were down by 28.47 per cent. The fall in shipments from rest of the world was much lower to that of China both in volumes (down 14.86 per cent) and in values (down 19.37 per cent) in the month of March.

April data is likely to reflect further collapse in EU's import of clothing as the European countries were under lockdown after the massive spread of COVID-19.

Source: fashionatingworld.com– Jun 19, 2020

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## Vietnam: Source materials from Vietnam or EU, urges MoIT

According to the Ministry of Industry and Trade (MoIT), to benefit from tax slashes in the EVFTA, Vietnamese textiles and garment industry must source materials from Vietnam or the EU, and the cutting and sewing processes must take place in either, too. The EVFTA also allows materials sourced from South Korea, with which the EU and Vietnam have an FTA, to be eligible for tax incentives.

Still, VitaJean was not qualified for preferential tariffs as it mainly sources materials from Taiwan and mainland China. If the company sourced materials from elsewhere, it would face another challenge in quality and design.

For example, Thai materials generally do not have versatile design and quality like those from China. It is also difficult to import materials from Thailand than China due to higher logistics costs and slower delivery times.

On the same note, Garmex Saigon Corporation is going to be in a tough position once the EVFTA comes into force as it will not meet the EVFTA's fabric-forward rules because it mainly relies on Chinese materials. At present, the EU market accounts for 40 per cent of the company's export revenue.

Source: fashionatingworld.com– Jun 19, 2020

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## Textile hubs in Istanbul expect up to 40% decline in trade

Istanbul's Laleli, Osmanbey and Merter districts expect up to a 40 per cent decline in overall trade volume over the course of 2020, in the wake of the normalization process after the coronavirus outbreak shuttered business activity.

According to a report published by Turkish daily Dünya, the number of closed businesses in Laleli has even increased after June 1, when the country started to reopen its economy by gradually lifting most of the previously imposed restrictions.

Gıyaseddin Eyyüpkoca, chairman of the Laleli Industrialists and Businessmen's Association (LASİ-AD) which represents some 2,500 tradesmen in Laleli, said the district recorded approximately $3 billion (TL 20 billion) of trade in 2019.

Eyyüpkoca told Dünya that a significant part of the trade was carried out during the coronavirus restrictions through applications such as WhatsApp.

Eyyüpkoca, however, noted that the full normalization is also up to developments in countries such as Romania, Poland, Serbia and Russia, which are among their important commercial partners, noting that they had worked hard for the summer season, however, all those products remained unsold.

Source: fashionatingworld.com– Jun 19, 2020

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# Pakistan to register exporters on Amazon to boost cash-strapped economy

Pakistans economic crisis and the towering burden of external debts have been hit hard by the outbreak of the coronavirus pandemic, pushing the countrys growth for the current fiscal year to negative figures, as per the estimates of global financial bodies.

While the country''s business community is raising serious reservations over the Imran Khan government for negating the provision of ''ease of doing business'' to help recover the country''s strangled economic condition, the Pakistan government has started damage control action by initiating the process of registering at least 38 of the country''s goods sellers and exporters with the US based e-commerce giant Amazon.

Advisor to the Prime Minister on Commerce and Investment, Abdul Razzak Dawood, said that "the initial list of 38 exporters comprises surgical, sports goods and home textile sectors," adding that the list will be expanded to other sectors. Dawood revealed that the 38 companies have been shortlisted after successful trial.

While Pakistan''s step towards promotion of e-commerce through government-led policy making is being widely appreciated by global trade bodies like the World Trade Organization (WTO), analysts believe that the presence of coronavirus has shrunk global economies, brushing aside most of the businesses, making e-commerce based business more challenging for the Pakistani exporters.

However, Dawood maintained that e-commerce based business has become even more important as it has increased manifold, making it a pivotal and vital sector for the economy. The State Bank of Pakistan (SBP) has formed a regulatory framework to facilitate B2C (Business to Consumer) e-commerce based business, which it said would be integrated with the e-commerce model, developed by the Federal Board of Revenue (FBR) in the Web-based One Customs (WeBOC) system.

Pakistan''s economic crisis has been soaring with external debts repayments, devaluation of rupee against dollar, and the current outbreak of the coronavirus pandemic, pushing the financial structure towards a virtual bankruptcy.

Pakistan''s GDP growth stood at 1.9 per cent in the previous financial year, and has fallen to to an estimated -0.38 per cent for the current fiscal. Financial experts believe that growth will fall down further to at least -3.2 per cent, triggering widespread joblessness, poverty and sufferings for millions of Pakistanis.

Going on to Amazon will be a positive step for Islamabad as the country explores initiatives to promote e-commerce, in an attempt to handle and settle its economic indicators to positive trends in the financial market.

Source: outlookindia.com– Jun 19, 2020

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## Pakistan: Exports increase by 8.48pc in 11 months

Pakistan's exports increased by 8.48 per cent during the first eleven months of the current fiscal year compared to the corresponding period of the last fiscal year, according to data reported by the Pakistan Bureau of Statistics (PBS).

The exports from the country during July 2019 to May 2020 were recorded at Rs3,106,723 million compared to Rs2,863,885 million during the corresponding period of the last fiscal year, showing an increase of 8.48 per cent, according to provisional data released by PBS.

However, on an Year-on-Year (YoY) basis, exports from the country decreased by 26.78 per cent in May 2020 compared to exports of May 2019. Exports in May 2020 were recorded at Rs223,536 million compared to the exports of Rs305,303 million during May 2019.

On a Month-on-Month (MoM) basis exports increased by 42.01 per cent in May 2020 compared to the exports of Rs157,412 million in March 2020.

The main commodities exported during May 2020 included knitwear (Rs28,962 million), bed wear (Rs23,380 million), readymade garments (Rs21,708 million), cotton cloth (Rs15,731 million), basmati rice (Rs13,128 million), cotton yarn (Rs8,324 million), towels (Rs6,668 million) and fish and fish preparation (Rs4,554 million).

On the other hand, imports during July 2019 to May 2020 totaled Rs6,421,012 million compared to Rs6,767,523 million during the corresponding period of last year showing a decrease of 5.12 per cent.

Imports into Pakistan during May 2020 amounted to Rs458,272 million compared to Rs526,880 million (provisional) in April 2020 and Rs730,962 million during May 2019 showing a decrease of 13.02 per cent over April 2020 and of 37.31 per cent over May 2019.

The main commodities of imports during May 2020 were electrical machinery and apparatus (Rs31,412 million), iron and steel (Rs23,205 million), palm oil (Rs21,591 million), petroleum products (Rs20,813 million), power generating machinery (Rs20,339 million), iron and steel scrap (Rs19,435 million), plastic materials (Rs18,991 million), mobile phones (Rs17,778 million), liquefied natural gas (Rs17,285 million) and raw cotton (Rs16,535 million).

Source: profit.pakistantoday.com.pk– Jun 19, 2020

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# NATIONAL NEWS

## India to consider hiking import duties on 300 Chinese products

India is mulling on imposing trade barriers and raise import duties on as many as 300 Chinese products and elsewhere, according to two government officials cited in the Reuters report.

India would take the decision in an effort to push domestic businesses. This came at a time when the Asian Development Bank said that the Indian economy is expected to shrink by 4 per cent during the current financial year.

China and India have lately witnessed an escalation of cross-border brawl along the Line of Actual Control (LAC).

**Self reliance campaign**

The officials further revealed that the plan is on the plate since April and will fall along the lines of Prime Minister Narendra Modi's recent announcement on self-reliance campaign to bolster local product supply.

The new duty structures are likely to be gradually outlined over the next three months, said the sources, who asked not to be named as the plan is still being finalized.

The government is considering raising import duties on 160-200 products and imposing non-tariff barriers - such as licensing requirements or stricter quality checks - on another 100, according to the officials.

The decision will aim at imports worth $8-10 billion with a view to deterring the substandard imports that render Indian products uncompetitive, said the first official, who has direct knowledge of the plans.

"We are not targeting any country, but this is one of the ways to reduce a trade deficit that is lopsided with countries like China," the second official said to Reuters. The report further disclosed that the bilateral trade between China and India was worth $88 billion in the fiscal year ending March 2019. This showed the trade deficit of $53.5 billion in China's favour, the widest India has with any country.

Between April 2019 and February 2020, the latest data available, India's trade deficit with China was $46.8 billion. According to other sources, goods including electronics and tech products were among the listed items under the plan.

Another government official said the quality control certificate would not be easily attained as products have to go through rigorous checking. This could apply to imported products such as air conditioners.

India has increased duties on more than 3,600 tariff lines covering products from sectors such as textiles and electronics since 2014, a government document accessed by Reuters stated.

Source: thehindubusinessline.com– Jun 19, 2020

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## Indian companies to woo Central American nations in post COVID era; Virtual expo to be held for the first time

To promote trade and the opportunities for Indian companies in the post COVID era, next week the Indian Embassy in Guatemala is planning a five days Virtual Healthcare & Hygiene Expo 2020" targeting the Central American nations.

The focus will be on critical sectors which have good potential and relevant to the region including Pharmaceuticals, Pharma Machinery & Technology; Medical Devices; AYUSH & Wellness; Medical Textile; Hygiene & Sanitization.

Confirming this to Financial Express Online, ambassador of India to Guatemala BS Mubarak said that "The five-day virtual event is starting from June 22 and it has been organized by the industry body FICCI.

There will be participants from Central American countries including Guatemala, El Salvador and Honduras, as these are under our jurisdiction."

"We are targeting 25 importers from each of the three countries under our jurisdiction and will follow up for leads from each importer," Mubarak said.

According to him all the coordination with the buyers in the region as well as facilitating the participation of companies from the region is being done by the Indian embassy.

Earlier this month, in the context of restrictions imposed due to COVID, "We organized our first virtual Buyer-Seller Meet in the Textile sector on 2 June. The event titled Textiles-Virtual Business Meet, was created through a virtual platform connected sellers from India buyers from Central America," the Indian envoy to the region said.

There were 11 Indian sellers, together with a Market Capital of more than USD 100 Billion who had participated in this Virtual BSM and approximately 50 companies from Central America had attended the meet.

The event was organized with the support of Indian Business Forum which has been formed to promote business opportunities between India and three countries — Guatemala, El Salvador and Honduras.

While Suresh Kumar, Joint Secretary (LAC), Ministry of Commerce had participated in the meet to brief the participants on the latest policies of the government, Ajay Rana, Chief Manager, Export-Import Bank of India, Washington, talked about EXIM Bank's Financial Products to promote trade.

Top eleven Indian companies shared by the embassy including Aditya Birla; Arihant Textile; Nagreeka Textile; Puneet Syntex; Raymond Ltd; Raymond Luxury Cotton Ltd; Raymond Uco Denim; Strata; Sutlej; Walson Polyester and Welspun had made their presentations and interacted with the companies from the region.

Source: financialexpress.com– Jun 19, 2020

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## Rules of origin: Govt steps up scrutiny of Chinese dumping

Amid India's border clash with China, customs officials are set to further step up the scrutiny of the place of the origin of imported products to prevent unscrupulous elements from illegally taking advantage of the country's free trade agreement (FTA) with any partner.

Customs officials have long suspected that China may be diverting its supplies to India via Asean nations, abusing rules of origin. Given the latest skirmish and the frosty political ties, the diversion may surge, they fear. So inflows from certain Asean members, especially Singapore and Vietnam, may see a closer scrutiny now.

Of course, given the Covid-19 outbreak, it will be a tough job but the intent is very much there, a senior customs official told FE. India has an FTA with Asean members and a separate one with Singapore as well.

Already, an unusual 118% spurt in India's merchandise imports from Singapore to a record $16.3 billion in FY19 had alarmed customs officials. The surge coincided with the peak of a trade war between Beijing and Washington.

"The diversion basically serves two purposes: the essentially Chinese products enjoy duty-free access and it also doesn't reflect in China's overall massive trade surplus with India.

We have been monitoring any potential violation of the rules of origin of imported products. But now, the scrutiny has to be even tighter," said the customs official.

Tighter scrutiny will also benefit genuine suppliers from Asean members, as they won't have to face unscrupolous competitors, he added. There is a greater chance that China will divert supplies through Asean members like Singapore and Vietnam, where its companies have invested heavily, he said.

In fact, the 118% spike in imports from Singapore in FY19 was unheard of despite the existence of the FTA for 15 years now. At 64%, the highest annual surge in imports from Singapore in recent memory was witnessed in FY07, a year after the FTA — formally called the Comprehensive Economic Co-operation Agreement — was signed on June 29, 2005.

Consequently, India's trade balance with Singapore exacerbated dramatically, from a surplus of $2.7 billion in FY18 to a deficit of $4.7 billion last fiscal, showed the DGCIS data. It also helped drive up India's trade deficit with all Asean members substantially to $21.8 billion in 2018-19 from just $12.9 billion a year before.

Although the imports from Singapore dropped 6.9% year-on-year in the April-February period of FY20 to $13.8 billion, they were still more than a double of what India imported from the city-state in the same period in FY18 and way above the usual trend in the earlier years.

Interestingly, in addition to Singapore, India's trade balance with Hong Kong — widely considered a proxy for Beijing — went haywire in FY19 and turned negative for the first time in at least two decades even as its trade deficit with China eased by $9.5 billion to $53.6 billion. This had raised questions about the actual reduction in India's effective trade deficit with China.

In November 2019, India pulled out of the China-backed Regional Comprehensive Economic Partnership (RCEP) deal, as it feared, among other things, massive dumping by China and some others. So it wanted effective safeguard mechanisms and strict rules of origin to protect its industry but couldn't get others to agree to.

In fact, New Delhi was pushing for "sufficient value addition" of at least 35% in the country of exports for a product to be eligible for its tariff concession under RCEP pact, while others wanted to settle for just minimal value addition.

Sources had earlier told FE that what had reinforced suspicion of a potential diversion of some Chinese supplies was the fact that, among the high-value segments, the maximum jump in imports from Singapore in FY19 was noticed in electrical machinery and parts, sound recorders and TV images etc (158% rise year-on-year to $3.1 billion), followed by a 142% surge in certain capital goods (nuclear reactors, boilers, machinery and mechanical appliances and parts) to $2.7 billion. China is the dominant exporter of most of these products.

Although such goods used to be imported from Singapore earlier as well, what raised eyebrows was the unusual spike in such inflows in one year (FY19), when there was an escalating trade war between China and the US.

Source: financialexpress.com– Jun 19, 2020

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## Apparel makers beef up efforts to reduce dependency on China amid heightened tensions

As calls for boycotting Chinese products gains momentum, the apparel industry is bracing up to tackle the situation by searching for low-cost alternatives to source raw material.

The Apparel Export Promotion Council (AEPC) has been promoting local production of goods, that are normally imported from China.

Industry experts feel that the rising anti-China sentiments provide an opportunity for India to grow as an alternative to Chinese market.

Currently, the apparel industry is dependent on China for raw materials ranging from fabric to accessories, which includes needles and buttons.

According to data provided by AEPC, India in 2019 imported fabric worth U$ 907 million, accessories worth $ 418 million and apparel worth $ 316 million from China. The figure speaks volume about the dependency of the industry on the Chinese market. However, experts believe that China is replaceable and now is the best time.

"We import manmade fibre textiles from China because of its low cost. To counter that, we have already started talks with local manufacturers, who have potential and we are chalking out ways to boost them. With a little handholding from the government, I am hopeful that we can outdo China," said AEPC chairman A Sakthivel.

He added that the council has asked its members to diversify sources of raw materials for apparel manufacturing as the supply from China was already affected due to the coronavirus outbreak. "We are closely studying the industry in countries like Japan, Indonesia which can be alternative fabric suppliers to our manufacturers," Sakthivel said.

The council has also taken up the task to identify product lines in the European Union, the US and South Korea which are showing decline in Chinese exports, which Indian manufacturers can tap.

“The anti-China sentiments can work as new opportunities for local manufacturers. With little upgradation, we can fill the gap and India has the potential to produce raw materials for both exports and needs in India,” said Rahul Mehta, chief mentor of Clothing Manufacturers Association of India.

“The cheap cost and fast delivery of China has affected the domestic supply base. If Indian garment manufacturers look at alternatives, including local sourcing, it may increase the finished goods cost by 3-5 per cent. Only if buyers are ready to pay a little more, things can work,” said Raja Shanmugam, president of Tirupur Exporters Association, a major textile hub.

Source: newindianexpress.com– Jun 20, 2020

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## Textile demand may decline 25-35% in FY21 due to slowdown: Report

The demand of textile value chain, including yarn, fabric and apparels is likely to contract by 25-35 per cent in the financial year 2021 due to ongoing economic slowdown following lockdown to curb the spread of the Covid-19 pandemic, finds a study by India Ratings and Research.

The demand of yarn, fabric and apparels is set to remain muted throughout first half of the financial year 2020-21. The FY21 demand growth would typically depend on discretionary spending, and thus a gradual recovery in household income over the second half of the current financial year between October 2020 and March 2021.

Normalcy in revenue across the textile value chain may return by the second half of the financial year 2022, on the back of reopening of the retail space, a normal monsoon, the festive and wedding season. The demand revival will also depend on government measure to incentivise exports, the study forecasts.

Weak demand of value added products like yarn, fabric and apparel is bound to impact raw material prices. The study forecasts a correction in cotton prices over 2QFY21 from the levels of Rs 95 per kg as of May 2020 due to a low demand and high holding levels at Cotton Corporation of India.

However, holding stocks could only provide a short-term relief. Some of the inventory is expected to be exported, given the advantage of lower prices and rupee depreciation.

“The textile industry is labour intensive in nature, and with most labourers headed to their hometowns, sector companies could face challenges to operate even at low capacities. The labour issue is expected to normalise in three-four months," says the study.

Meanwhile, readymade garments / apparels and cotton yarn exports, which were already facing headwinds prior to the lockdown, is likely to be more impacted than other segments, led by the fragmented nature of industry and a slowdown in Chinese yarn demand. The situation has worsened in the lockdown with consumers delaying discretionary consumption. Amid high competition, the oversupply in the domestic market is likely to postpone demand normalcy until September 2021.

Conversely manmade fibres/synthetic players have the advantage of a lower cost compared to cotton players and therefore could see a better demand, as players look to blend synthetics more in the fabrics/apparels.

Key issues such as supply chain disruptions, incentives and labour unavailability need to be addressed to revive the textile sector. Labour retention policies of each state would be critical to ensure minimum disruption of manpower availability.

The subdued domestic demand and declining exports due to lockdown in importing countries on account of Covid-19 pandemic has come as a double blow for textile companies. While the domestic demand could revive in 3QFY21 with the onset of the festive season and reopening of retail spaces, export demand would be fairly depend on the recoup of major economies such as the US and UK.

1Also, there seems to a short-term opportunity for Indian companies to cater to those markets which were earlier catered by China and Bangladesh. However, the threat of import of lower cost raw materials persists and could hamper the domestic industry in the near term.

Source: business-standard.com– Jun 20, 2020

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# US terms to restore duty sops

The US is willing to restore the duty benefits to Indian exporters under its Generalised System of Preferences if it receives a suitable counter-offer from the Narendra Modi government. While the commerce ministry officials were tightlipped on the kind of quid-pro-quo concession New Delhi could offer, they said the removal of the GSP benefits had a marginal impact on Indian exporters.

But restoring it will definitely add to symbolism, signalling the US-India relationship is stronger than before. Analysts said there was very little that India could offer on big ticket issues in which the US is interested at this juncture. Also exporters said the withdrawal of GSP did not have a significant impact and in some of the products, shipments picked up in the US.

“We are in negotiations with India, we took away their GSP, and we’re in the process of restoring it if we can get an adequate counterbalancing proposal from them,” US Trade Representative Robert Lighthizer told the US Senate Finance Committee. “Till now, we haven’t done that. But this is something that we’re actively negotiating right now,” Lighthizer said.

Ajay Sahai, the director-general of the Federation of Indian Export Organisations, said the the restoration of GSP will benefit organic chemicals, articles of iron and steel, plastic products, leather goods, furniture, rubber products, electrical machinery and parts thereof.

There are indications the US could lower tariffs on steel and aluminium and India could reciprocate by abolishing the retaliatory tariff it imposed on apples and almonds. It could offer some concession on high end mobiles and relief on duties imposed on Harley Davidson bikes.

Trade economist Biswajit Dhar of the Jawaharlal Nehru University said Trump was under pressure before the presidential elections in November to show some results on trade issues .

“The US would be keen on big ticket deals on market access to agricultural products, dairy products and poultry items. With the Modi government going gaga over the Atma Nirbhar Bharat campaign, I wonder what concession it can offer on these sectors,” added Dhar.

Source: telegraphindia.com– Jun 20, 2020

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## E-commerce brought in logistics boom; now, COVID-19 pushing delivery business further ahead

What a difference a decade makes! In 2010, India's Internet penetration was less than a fifth of what it is today, and online shopping was a phenomenon that only a handful of consumers had experienced. Arguably, the last 10 years have seen more disruptions in the Indian logistics sector, than were evident in the last 100 years. Specialization is the mantra that pervades much of what has changed, and technology has been the biggest enabler of this change.

In particular, there are four key specialization trends that have emerged:

**E-commerce specialists**

These include B2C delivery focused companies who touch our lives every time we order something online, or the B2B companies that have innovated their business and operating models to serve the agile supply chains of e-commerce companies and their logistics providers.

From mobile phones to furniture and groceries, most of what is purchased online today is stored, transported and handled by companies that did not exist a decade ago. In this time of pandemic and lockdowns, a clutch of technology-enabled players are also helping kirana stores place orders online and ensuring timely deliveries to them.

As more rural consumers get online and change their purchasing behavior in a post-COVID world, it is these specialists who will be well poised, with their extensive pin code coverage, to serve their needs.

**Consumer service specialists**

Most of us reading this article may have used apps to order food or supplies online, reserve restaurant tables or get deliveries done from one part of our city to another. Especially in the current times, such specialists have become essential in ensuring the delivery of food from restaurants (which are otherwise closed), medicines and other essential items.

With the lockdown easing in many parts of the country, yet consumers still wary of venturing out, hyperlocal delivery players have played an important role in enabling rapid deliveries between consumers, whether these are documents, household goods or forgotten items that were stuck in lockdown limbo.

**Aggregation specialists**

There are several industries – such as freight forwarding and trucking – where there is a massive supply fragmentation, with thousands of providers struggling to ensure asset utilization or retain margins in the wake of hyper-competition. A new breed of aggregators, both on intra-city and long-haul routes, are playing a pivotal role in consolidating both demand and supply to ensure that truckers increase their fill rates and freight forwarders get better rates from ocean liners and air carriers, on a larger committed volume base.

In more mature economies, such aggregators have also begun to cut out the service providers themselves, and this is a risk that exists in India as well. However, in India, in the near to mid-term though, such aggregators have been a boon to customers who often struggle to find logistics service providers on less popular trade lanes or trucking routes.

**Technology specialists**

Although technology is the enabling backbone of all specialization innovations, there are a clutch of technology specialists who are enabling logistics service providers to improve the quality of customer service or enhance margins. There are several companies in India today, who are helping logistics companies:

- Optimize their transport network and truck routing.
- Deploy warehouse automation solutions that improve the speed and accuracy of picking, pallet movement and sorting.
- Manage their field workforce better.
- Track cargo movement and share relevant data such as the temperature or condition of goods, across transportation modes, in real time.
- Discover better input rates for their services

In the next decade, customers are increasingly expected to demand:

**Industry specialization**: That is, ensuring that logistics service providers understand unique industry supply chains to provide customized services, rather than being generic transporters, warehousing or service providers. Outcome-based pricing is also likely to replace cost-plus or input-based pricing in the times to come.

**Solution approach**: For decades, customers have sought to minimize the number of logistics vendors that they interact with. This has led to the rapid growth of the 3PL industry, but with new technology platforms, it will likely be the end-to-end service providers who leapfrog faster, instead of point service providers.

**Technology enablement**: Real time track and trace in the trucking industry has been a hygiene factor for many years, but customers today are demanding multi-channel customer service (e.g. through face to face interactions, phone, chat or even SMS), advanced analytics and exception reporting, deep logistics service provider integration into their ERP systems and constantly lower costs – something that can happen only when technology replaces legacy manual processes.

The days are not far when drone deliveries and autonomous vehicles will further transform logistics globally and in India, but until then, players in the industry need to specialize to survive.

Source: financialexpress.com– Jun 19, 2020

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## IHGF Textiles Virtual Fair concludes; business enquiries worth Rs 270 cr generated

Business enquiries worth Rs 270 crore were generated in the second virtual fair on IHGF Textiles which concluded on Friday. Over 1500 overseas buyers, buying agents, wholesalers and retailers were a part of the fair.

Buyers from 80 countries visited the online fair with countries like Australia, Argentina, Peru, Colombia, Brazil, USA, UK, Spain, New Zealand, Canada, UAE, Turkey, Japan, Israel, Germany and France showing the maximum participation.

Ravi K. Passi, Chairman – Export Promotion Council for Handicrafts (EPCH) said in a statement, "Back to back organisation of virtual fairs was a result of the pandemic thus enabling the Council to provide an alternative platform for exporters to do business since physical fairs are currently not possible."

Webinars, craft demonstration and theme setting on trends were the highlights of the IHGF-Textiles virtual fair. R K Verma, Executive Director – EPCH stated that the participants of home furnishing, floor coverings and textiles found the virtual platform to be helpful in offering viable opportunities to survive in the business.

"The exports of home furnishing, floor coverings and textiles account for 25% in the total exports of handicrafts from the country which was around Rs. 6200 crores in 2019-20," he added.

EPCH has been involved in extensive publicity to invite buyers from across the world to visit the show through e-blast, tele-calling and involving Indian missions and embassies abroad.

Source: economictimes.com– Jun 19, 2020

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## Can you exempt garment industry from lockdown? HC asks government

The Madras High Court on Thursday directed the State government to reply by Friday as to whether it would be possible to exempt from lockdown, the garment manufacturers and exporters having their units in Chennai, Tiruvallur, Kancheepuram and Chengalpattu districts.

Justice R. Subramanian posed the question on a writ petition filed by Apparels and Handloom Exporters Association representing over 400 major garment manufacturers and exporters who employ over 1.5 lakh people directly in their units spread in and around Chennai.

Appearing on behalf of the association, Senior Counsel P.S. Raman said the garment units had suffered a lot due to successive lockdowns imposed since March 25 and they began resuming operations only from May 4 after strictly adhering to the protocols related to COVID-19.

Members of the petitioner association suffered huge losses because all export orders catering to the summer season abroad had to be shipped between March and May. Those orders got cancelled because of the lockdown and especially because the garment export was seasonal in nature.

After May 4, the exporters were planning to manufacture garments required for the Fall collection clothing lines for which the manufacturing should go on for about three months from May to July so that the garments could be exported latest by August for the Fall season.

“It is at this juncture, the lockdown to be imposed in the four districts for 12 days from June 19 to 31 has come as a death knell to the garment exporters who would once again face the threat of suffering losses to the tune of several crore of rupees,” the senior counsel said.

He also stated that the repeated change in imposing of lockdown affects the image of the industry and frustrates foreign customers who might think that the industries in Tamil Nadu were unreliable and move on to place their orders with export houses in other States.

He said, the seasonal garment industry must be permitted to function with enough safeguards and provided with exemption from the lockdown.

Source: thehindu.com– Jun 19, 2020

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# Tamil Nadu: Tirupur waits for its guest workers

*Around 40% of the workforce in the garments factories of Tirupur are guest workers*

CHENNAI: Often called the country's leading readymade and knitwear cluster, the textile industry in Tirupur is limping back to normalcy engaging around 60% of the total workforce after lockdown restrictions were lifted.

The industry is hoping for the return of guest workers ahead of the peak season beginning September to regain full momentum. Around 6 lakh workers are employed in the sector, which records an annual business of around Rs 60,000 crore.

Guest workers, particularly from Jharkhand, Odisha and Bihar, comprise around 40% of the total workforce. The lockdown hit the industry hard and forced thousands of guest workers to flee Tirupur since the first week of May.

"The industries are running with 60% of the total workforce at present. Since it is a lean period, the industry is managing with the available workers. But it will lose business in the global market if the guest workers do not come back by the end of August," said Raja M Shanmugam of Tirupur Exporters' Association. "We managed to retain around 10% guest workers," he said.

A guest worker from Odisha said she and 300 women workers returned home after their parents and families feared for their lives following the outbreak of Covid-19. But now she wants to return. "We were paid a decent salary and given proper accommodation and food," said the woman.

The industry said it will extend quarantine facilities along with proper medical care for the returning workers. "Until recently, the units were dependent on contractors who would bring workers on contract basis whenever there was a requirement. Now that the contractors have gone back to their states, both the workers and units are suffering without a reachout mechanism," said Kumar Duraisamy, an exporter.

Duraisamy said the pandemic and the fear of contracting the disease have taken a toll on the business. "Though the enquiries come, most of them have not turned into business opportunities," he said.

Source: timesofindia.com– Jun 20, 2020

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