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INTERNATIONAL NEWS

World trade registers historic 18.5% fall in Q2 of 2020, but slight recovery possible in Q3: WTO

WTO's Goods Trade Barometer's latest reading indicates L-shaped recovery in 2021, leaving global trade well below its pre-pandemic trajectory

Hit by Covid-19 disruptions, world trade in goods is likely to have registered a historic 18.5 per cent fall in the second quarter of 2020 (year-on-year), at par with the lows of the 2008-09 financial crisis, but there are indications of a slight recovery in the third quarter, according to the latest reading of the World Trade Organization's Goods Trade Barometer.

"Additional indicators point to partial upticks in world trade and output in the third quarter, but the strength of any such recovery remains highly uncertain: an L-shaped, rather than V-shaped, trajectory cannot be ruled out," according to a WTO statement based on the current barometer reading released on Wednesday.

Signs of export recovery

Providing some hope to exporters across the world, including India, export orders, with a barometer reading of of 88.4, have started showing signs of recovery, the statement pointed out. Indices for electronic components (92.8) and agricultural raw materials (92.5), too, have held up relatively well, showing only small declines.

The slightly bright prospects for export orders seem to be in line with the decline in India's exports slowing down in June and July (year-on-year) this year. After plummeting 34 per cent and 60 percent in March and April 2020, respectively, the decline in India's exports in July was at about 10 per cent.

However, the WTO warns that the heavy economic toll of the Covid-19 pandemic suggests that the projections for a strong, V-shaped trade rebound in 2021 may prove overly optimistic. "As uncertainty remains elevated, in terms of economic and trade policy as well as how the medical crisis will evolve, an L-shaped recovery is a real prospect. This would leave global trade well below its pre-pandemic trajectory," it said.

Gauging trade

The WTO has designed the Goods Trade Barometer to gauge the momentum and identify turning points in world trade growth. A reading of 100 indicates growth in line with medium-term trends; readings greater than 100 suggest above-trend growth, while those below 100 indicate below-trend growth.

The latest reading of the barometer at 84.5 is the lowest on record, in data going back to 2007, and on par with the nadir of the 2008-09 financial crisis, the statement said.

The reading, which is 15.5 points below the baseline value of 100 for the index and 18.6 points down from the same period last year, is broadly consistent with WTO statistics issued in June, which estimated an 18.5 per cent decline in merchandise trade in the second quarter of 2020 compared with the same period last year, it added.

The exact extent of the fall in trade will only be confirmed later this year when official trade volume data for the period from April to June become available.

All of the barometer's component indices remain well below trend, with many registering historic lows, although some have begun to stabilise. Indices for automotive products (71.8) and air freight (76.5) have been by far the worst on record since 2007. Container shipping (86.9) also remains deeply depressed.

Source: sourcingjournal.com– Aug 18, 2020

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Global merchandise trade volumes fell 14% in first half of 2020: WTO

Global merchandise trade volume is estimated to have contracted 14 per cent in the first half of 2020, and may see an overall 13 per cent decline in 2020, the World Trade Organization (WTO) said.

The global body's Goods Trade Barometer (GTB) on Wednesday confirmed trade volumes had crumbled steeply in H1 but hinted at a nascent recovery.

The GTB provides real-time information on the trajectory of world trade relative to recent trends. Its latest estimates showed a reading of 87.6, up from 84.5 seen in May but still lower than 95.5 seen in February.

A reading of 100 indicates growth in line with medium-term trends, while readings greater than and below 100 indicate above-trend and below-trend growth, respectively.

The latest reading — the lowest on record in data going back to 2007, and on a par with the nadir of the 2008-09 financial crisis — is broadly consistent with WTO statistics issued in June. The latest barometer reading is driven by collapsing automotive products (71.8), slowdown in air freight (76.5), both of which remained the worst on record since 2007. Container shipping (86.9) also remained muted amid restrictions at ports across the world. On the other hand, the fall in export orders slowed (88.1) as compared to 83.3 in the previous round.

Nascent recovery

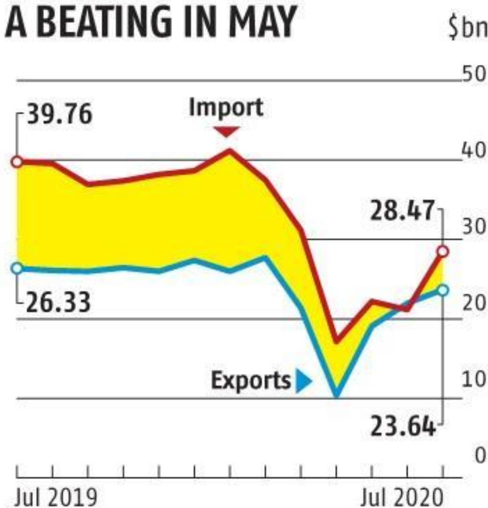
In May, the GTB had forecast an estimated 18.5 per cent year-on-year (YoY) decline in merchandise trade in Q2 of 2020 while the WTO had separately suggested that trade volumes would shrink by an estimated 14 per cent in H1. But since then, a slightly less pessimistic scene has emerged.

"This estimate, together with the new GTB reading, suggest that world trade in 2020 is evolving in line with the less pessimistic of the two scenarios outlined in the WTO's April forecast, which projected that the volume of merchandise trade this year would contract 13 per cent compared to 2019," the global body said on Wednesday.

While the exact extent of the fall in trade will only be confirmed later this year when official trade volume data for April to June becomes available, WTO economists have repeatedly warned that the heavy economic toll of the pandemic suggests that projections for a strong, V-shaped trade rebound in 2021 may prove overly optimistic.

"As uncertainty remains elevated, in terms of economic and trade policy as well as how the medical crisis will evolve, an L-shaped recovery is a real prospect. This would leave global trade well below its pre-pandemic trajectory," the WTO said.

Legacy issues



Global merchandise trade volumes had already been reeling from the after-effects of trade tensions between the United States and China and had contracted 0.1 per cent in 2019, marking the first annual decline since 2009, when the last recession ended. This was markedly worse in the later part of 2019.

The WTO has also warned that developing economies would require assistance given that the current crisis has hit almost all sectors.

"Global trade growth has been slowing since Q4 of 2018, finally turning negative in Q3 of 2019. The seasonally adjusted volume of world merchandise trade was already down 3.0 per cent YoY in Q1 of 2020, a decline that only partly reflects the effect of the Covid-19 pandemic. The full economic impact of the virus and associated containment efforts are expected to be seen in the statistics for Q2," the WTO said.

India's exports contracted 10.2 per cent in July to $23.64 billion, shrinking for the fifth straight month as trade of major foreign-exchange earners such as petroleum, gems, electronics, and textiles struggled to catch up since the nationwide lockdown took its toll.

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

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European companies to expand business in China, not succumb to US pressure

European company representatives said that their businesses will not succumb to US pressure or play the US' political game. According to a survey by the European Chamber in June, China remains in the top three investment destinations for more than 60 percent of respondents.

Although some German companies in Taicang had part of their business affected by the current deteriorating China-US relations, they said it's only temporary. Beijing: Many European companies in China that emphasised global collaboration are deciding to further tap into the Chinese market and expand their investment in the country in spite of repeated US attempts to build an European alliance against China.

European company representatives said that their businesses will not succumb to US pressure or play the US' political game.

Representatives of several German companies in Taicang, Suzhou, East China's Jiangsu Province - dubbed the Chinese town for German enterprises - told the Global Times they would not follow American companies to move their production out of the Chinese mainland, and instead would strengthen their business partnership with Chinese counterparts as they highly value China's huge market and promising economy.

Emin Guemues, Division Manager of Kern-Liebers Taicang company, the first German company established in Taicang in 1993, said what the US is doing in Europe is "stupid," as European companies, especially German companies will not listen to the Trump administration.

"As an automotive company, we value markets and China has a huge automobile market compared with the US and Europe. China produces around 25 million cars each year, while Europe only produces 5 million," he said. The company supplies to global automotive, textile and consumer goods industries and it is building a new factory in Taicang as part of its long-term development strategy for the next 10 years.

He said German companies will not move out of Chinese market, as the huge Chinese market offers jobs amid economic downturn in Europe. "People in Europe need jobs to support their family, and we see opportunities in China," he said.

He mentioned the motive behind the US political game is that it is worried that China's growing strength would threaten its position as the world's leading superpower. The US has constantly attacked China on issues like Covid-19, but the results of China's Covid-19 response in contrast with the US response has been clear for the world, he said.

In the future, more countries will get stronger, and a world with only one superpower will not work, Guemues said. Although some German companies in Taicang had part of their business affected by the current deteriorating China-US relations, they said it's only temporary.

Matjaz Brezigar, Managing Director of Mahle Electric Drives in Taicang said some of the products that were produced in China but exported to the US have been subject to high tariffs, and they may consider sending these products back to Europe and exporting them to the US from there to avoid the high tariffs.

The problem is quite challenging for now, as US exportation accounts for 50 per cent of their business. But as they are aiming at expanding Chinese market to have it account for about 70 per cent of their business in the next five years, and the impact will be much smaller, he said.

In Taicang, such situations are not common as most German companies in China focus on the Chinese market, said Zhang Zhenwei, chairman of Taicang Roundtable, a platform linking German companies with Taicang local government. The platform has 98 German companies as its members.

German companies prefer globalization and global collaboration in doing business, and will say "no" to trade protectionism, according to Zhang.

French companies in China are also increasing investment.

Jean-Marc Dugua, chief technical officer of Suzhou Hybiome Biomedical Engineering Company, a company focusing on automated immunoassay tests with its majority shares being held by a French company bioMérieux, told the Global Times the parent company will continue investment in Suzhou. Three weeks ago, the company decided to build a new bigger site near its current site.

He said he had confidence in China's economy. The company is now applying for registration in China for their new Covid-19 antibody test kits, and the test kits are expected to be exported to other Asian countries.

In the first quarter of this year, Suzhou utilized $4.23 billion of foreign investment, 163 per cent higher than that in the same period last year.

According to a survey by the European Chamber in June, China remains in the top three investment destinations for more than 60 percent of respondents.

Joerg Wuttke, President of European Union Chamber of Commerce in China, told a press conference on August 4 that European companies remain fully confident in doing business in China and hope to be part of the story of China's development.

Source: economictimes.com– Aug 19, 2020

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Pandemic to accelerate shift from global to local supply chains

The shift from global to more local supply chains was already under way before the coronavirus pandemic kicked in, exposing more vulnerabilities.

From 2018 the US-China trade war politicised movement of goods, with tariff and non-tariff barriers causing companies to explore new markets and sources of raw materials.

When the pandemic began, supply chains relying on components first from Hubei and then the rest of China were the first to be impacted. As lockdowns spread across first Asia, then Europe and the US, the chemical industry experienced a supply and demand shock unlike anything in living memory.

Ships waited for weeks at ports in Asia for enough containers to load to make it worth their while setting sail for Europe. Then further delays piled on as ships' crews were forced to quarantine on arrival at destination ports.

Governments began to take notice when it became apparent that stockpiles of essential pharmaceuticals and personal protective equipment were running low. Supplies of active pharmaceutical ingredients (APIs) were cut as India and China – which dominate the market – imposed export restrictions or suffered interruptions to their own supply chains.

Underlying all this pressure on supply chains is another driver for change – the sustainability agenda, and recycling. Local supply chains fit perfectly with the circular concept of chemical waste, particularly polymers, being recycled and reprocessed within cities or regions.

As the global economy stabilises, chemical companies, their customers and suppliers, will be thinking about the pros and cons of diversifying or reshoring supply chains to protect against future shocks.

Two studies released in August highlight the strains on supply chains and look at how they could change in the next few years.

US-headquartered legal group Baker McKenzie's new report says global companies which are reliant on Asia-Pacific supply chains must think carefully about the pros and cons of reducing exposure to, say, the market in China. Its research interviews show that there is strong sentiment to continue investing in China, despite the US-China trade war.

Certainly for many global chemical companies, a continuing footprint in China does make sense as it is the world's largest chemicals market.

Increasing tension between the US and China may lead to the creation of a polarised global economy, with tough tariff and non-tariff barriers separating the two. One region would comprise China and its Belt and Road allies in emerging economies. The US and its allies would occupy the other region.

This scenario would give another reason to maintain chemical production within the China region as it has access to many of the world's remaining emerging economies.

HARNESSING DIGITISATION

Digitisation may be able to reduce some of the risks, bottlenecks and under-performance in complex supply chains. Baker McKenzie points out that pre-emptive risk management and geospatial analytics can now play a greater role.

"Being able to fully map their supply chain to understand the geographic location of suppliers and feed the maps with alternative data (such as flood maps) can help companies to have in-built defences against large shocks to their supplier ecosystems."

Companies may also look to identify where they are reliant on a single supplier in a high-risk location (such as a flood-prone industrial park) or on a cluster of suppliers all in the same concentrated area.

Other technologies such as the use of 3D printers will continue to be a driver for supply chain shifts.

Barker McKenzie points out that re-creating supply of APIs at a local level may be hindered by a lack of chemical feedstocks for production.

The report says buyers who want to make supply chains more robust must focus on regionalisation, diversification and digitisation.

- Regionalisation – need to balance the need to bring manufacturing “back home” against higher production costs
- Diversification – avoid the use of single source suppliers, build up alternative sources to avoid interruptions to supply
- Digitisation – helps companies react quickly to market, environmental, sustainability challenges. Secure new sources of supply, scale up new processes

Consultancy McKinsey’s new report analyses the impact of more shocks to supply chains from natural disasters, geopolitical events, the fragility of just-in-time deliveries and use of single suppliers.

Trade in manufactured goods soared in the 1990s and early 2000s, propelled by China’s entry into the World Trade Organization and the search by multinational companies for lower-cost inputs and wages.

CHEMICAL COMPANIES FACE LOSSES

It projects that chemical companies can now expect to lose 35% of one year’s operating profit every decade from supply chain disruptions. These include climate change, macroeconomic/financial crises, trade disputes, pandemics, cyber attacks, terrorism and supplier bankruptcy.

Bearing in mind the increasing risks to global supply chains it estimates that 16-26% of global goods exports, worth $2.9-4.6tr, could conceivably move to new countries over the next five years if companies restructure their supplier networks.

In McKinsey's analysis, labour-intensive value chains such as furniture, textiles and apparel are more likely to shift.

This is already under way with higher labour costs in China driving clothing manufacture to lower cost countries such as Bangladesh. In 2005, China exported 71% of its finished clothing goods. This fell to 29% in 2018 as companies refocused on domestic demand.

McKinsey estimates 36-57% of clothing supply chains could move, some to the EU and US, but most to southeast Asian countries.

For the global pharmaceutical value chain, 38-60% could shift geographically. But this is driven less by economics than governments which want to re-establish domestic manufacture. McKinsey points out that China currently accounts for more than 60% of global exports of antibiotics, sedatives, ibuprofen, and acetaminophen.

The important automotive sector is already very regionalised, says the report, and with countries doing their best to retain domestic manufacturing, only 15-20% of auto exports has the potential to move, driven by non-economic factors.

McKinsey's May 2020 survey of 605 business executives highlights the actions leaders are taking to boost resilience in their supply chains.

Source: www.icis.com– Aug 19, 2020

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Unsaddle the dragon: global corporations are about to leave China

The interconnection between the American and Chinese economies continues to erode as the trade war intensifies. Dozens of companies declare their intention to transfer their production from China to other countries, primarily in the states of South and East Asia. In some cases, such a transfer is indeed successful, but it is clearly too early to talk about the end of the era of China as a "world factory". At least due to the presence of complex technological chains in the PRC, which will be very difficult and expensive to reproduce in another country, as well as because of the huge Chinese domestic market. Details – in the material "Izvestia"...

Neutrality is impossible

Big business feels uncomfortable in the global confrontation between China and the United States and would like to see this conflict bypassed. Leading American corporations have earned billions of dollars for decades on cheap labor and lucrative working conditions in the PRC. Banks had their income from listing Chinese companies on exchanges in the United States and other Western countries. All of them would like to remain neutral.

But under the circumstances, not everyone will be able to stay above the fight. Numerous tariffs imposed by the Donald Trump administration in recent years have markedly increased the cost of production in China. Sanctions against new and emerging Chinese companies...

The story began with Huawei, but it clearly won't end there. TikTok is obliged to sell the American division: Microsoft or Oracle can become the buyer. On August 15, Donald Trump announced a possible ban on the activities of China's largest Internet company, Alibaba, in the United States. All these actions make it difficult for the normal cooperation of Chinese corporations with foreign, and not only American ones. China, in turn, can also respond, both at the legislative and informal levels.... As a result, all players on both sides of the Pacific have to choose priorities.

According to research analytical company Gartner, about a third of companies with global production chains are moving production from China to other countries or plan to do so in the coming year. These organizations included a wide range of firms – IT companies, representatives of heavy industry, as well as the food industry. Corporations

with American "passports" set the tone, but two-thirds European firms operating in China are also contemplating – or actively pursuing – a policy of gradual relocation.

It is worth noting that such a transfer has been brewing for a long time and the trade war between China and the United States (as well as the general strengthening of protectionism around the world) hastened the process. Which also has long-term fundamental reasons. The main one is the steady rise in the standard of living and the size of wages in China's factories. Over the past decade, salaries in the PRC have grown in real terms by an average of 8% per year. By 2019, the average wage in the 37 largest cities in the country was 8.4 thousand yuan, or more than $ 1.2 thousand. Even the wages of migrant workers, the poorest part of the Chinese urban workforce, were about 4 thousand yuan. In comparison, 10 years ago, they earned a little over 1,400 yuan per month.

Vietnam or India?

With such salaries, China's traditional advantage, which, among other things, helped it to become that very "world factory", is dying out. Of course, even now the incomes of workers in China are far from American, Japanese or Western European, but they can already compete with Eastern Europe, and most of Latin America is noticeably superior. Today's global corporations have to look for alternatives to reduce payroll costs.

Where is manufacturing capital relocated from China? Other East Asian countries remain the most promising destinations. Industry in Vietnam is growing rapidly on foreign investment (+ 9% to industrial production in 2019), to a lesser extent in Cambodia, Myanmar and Thailand. Now, however, the second most populous country in the world, India, has long been aiming at repeating the Chinese industrial breakthrough at the turn of the century.

Prime Minister Narendra Modi, who came to power largely thanks to a program to accelerate economic growth, announced this spring a tax break for companies that locate electronics production in the country. Over the next five years, they will be able to pay only 4-6% of their total sales. Samsung (which plans to produce $ 40 billion worth of smartphones in the country), as well as Wistron and the aforementioned Foxconn, announced their desire to place production in India.

The Indian government, which is about to increase the share of industrial production in GDP from the current 15 to 25%, plans to expand the tax break program to many other industries, including the automotive and textile industries. The measures already taken promise an increase in foreign direct investment by $ 55 billion.

Don’t try to leave Shanghai

Nevertheless, it is clearly too early to say that China as a key industrial base of the world is doomed. Because the transfer of production even for modern “semi-nomadic” corporations is not an easy and painful business. In addition, in modern conditions, the PRC has many advantages.

Firstly, over the past decades, China has technically re-equipped and improved the culture of production through the accumulation of experience by both workers and managers. Today’s China manufactures a full range of products from the cheapest things to high-priced goods. It will be much easier to relocate the production of the former than the latter, since they are not demanding on the quality of the labor force.

While in China 25% of manufacturers do not meet quality control standards, in India and Pakistan their share increases to 35%, and in Cambodia to 40%. The management in the newly industrialized countries is also insufficiently qualified to effectively train labor, predominantly of rural origin.

The second key trump card of China is the technological chains that have been built in the country for decades with the active participation of American, European and Asian corporations. Manufacturers not only manufacture products in China, they use an intermediate product from Chinese manufacturers, which may be located in the adjacent premises of the same industrial park in conditional Shenzhen. And the infrastructure that has been well developed in recent years allows us to minimize transport costs.

Third, China is the second largest economy in the world with a giant domestic market that still has good potential for further growth. In the event of a move, companies risk losing their competitive advantage at this critical site. It is absolutely clear that neither Vietnam nor Cambodia, nor even such large countries as Brazil and Mexico, in this regard are not capable of replacing the PRC.

Thus, what could have been done relatively easily in 2000 will already be extremely difficult in 2020. Although some foreign companies will cut their operations in China due to political pressure, it is impossible to imagine their complete outcome in the foreseeable future. This means that there will be an element of interdependence among the world's largest economies, despite formidable rhetoric from officials.

Source: pledgetimes.com– Aug 19, 2020

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Indonesia Posts $3.26 Billion Trade Surplus, Biggest in 9 Years

Indonesia posted its biggest trade surplus in nine years in July, as exports improved while domestic demand for imports remained subdued amid the coronavirus pandemic.

Southeast Asia's largest economy reported a $3.26 billion surplus in July, the bureau said, the biggest since August, 2011, according to Refinitiv Eikon data, Reuters reported.

The figure handily beat a forecast in a Reuters poll for a $680 million surplus and followed a $1.27 billion surplus in June.

July exports grew 14.33% from June to $13.73 billion, though were 9.90% below the value of shipments in the same month last year. Still, the pace of contraction was slower than the poll's prediction for a 16.65% drop.

By value, exports were the highest since March. Statistics bureau chief Suhariyanto attributed this to sales of agricultural products like palm oil, herbs and birds nests, and despite weaker exports of coal, rubber and oil and gas.

Imports plunged 32.55% on an annual basis to $10.47 billion, steeper than the 22.48% fall expected in the poll.

The data indicates the potential for a further narrowing of the current account deficit for the rest of the year, even after it significantly narrowed in the first half due to the pandemic.

Central bank data earlier on Tuesday showed Indonesia's current account gap in April-June was equal to 1.2% of GDP, less than half the deficit in the same period in 2019.

Bank Danamon's economist, Wisnu Wardana, said despite the trade data the central bank may need to consider a number of other indicators before utilizing "a limited room of monetary easing", such as inflation and the rupiah's movement.

Bank Indonesia (BI) is due to wrap up a two-day policy review on Wednesday. The majority of economists in a Reuters poll, including Wardana, expects the benchmark rate to remain unchanged after four cuts to support the economy.

Source: albawaba.com– Aug 19, 2020

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RCEP enters final phase, to be signed without India

The Regional Comprehensive Economic Partnership (RCEP) has entered the legal scrubbing phase and is expected to be signed soon without India, the Trade Ministry has said.

The participating countries now comprise the ASEAN member states, China, Japan, South Korea, Australia and New Zealand.

"The participating countries will keep the door open for India in case it decides to rejoin the trade deal in the future, because its participation will be important on political, economic and Asian solidarity fronts," Deputy Trade Minister Jerry Sambuaga said in a statement on Thursday.

India withdrew from RCEP negotiations in November last year because of concerns about its growing trade deficit with China. The situation worsened after the Indian army said at least 20 of its soldiers had been killed in clashes with Chinese troops at a disputed border site between the two countries in June.

India is Indonesia's fifth-largest export market. Indonesia's top export to its South Asian peer is coal, with value reaching US$4.81 billion in 2019, according to data from the United Nations International Trade Statistics

Database (UN Comtrade). Its next biggest exports to the country are palm oil, stainless steel and rubber. This makes India the second-largest buyer of Indonesian coal and palm oil. India is also an important import partner as it accounted for 35 percent of Indonesia's total beef imports in 2019.

Without India's participation, Indonesia might not be able to enjoy cheaper Indian beef and lower tariffs for its palm oil exports, said Andry Satrio Nugroho, the head of the center of industry, trade and investment at the Institute for Development of Economics and Finance (Indef).

Andry said missing the opportunity to lower Indian beef prices was less costly because Australian beef imports, which accounted for the majority of Indonesia's beef imports, might fill the supply with the implementation of the Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA).

"With regard to palm oil, there are not that many buyers out there. In Asia, the largest buyers are China and India," Andry told The Jakarta Post in a phone interview on Friday. "If India joins the RCEP, we may enjoy lower tariffs for our palm oil, perhaps at zero percent."

Yose Rizal Damuri, the head of the department of economics at the Jakarta-based Centre for Strategic and International Studies (CSIS), said on Thursday that the RCEP might not lead to significant changes in Indonesia's exports and imports. However, the trade deal would prepare the participating countries for any future trend in global trade that had been accelerated by the pandemic, including digital trade.

"This increases the importance of the RCEP as it will create regulations on, or at least has started talking about, the future of digital trade," Yose said in a phone interview.

The coronavirus outbreak has hit international trade amid movement restrictions as the World Trade Organization (WTO) projects global trade volumes will contract by between 13 percent at best and 32 percent at worst this year.

Indonesia booked $76.41 billion in exports, a decrease of 5.49 percent, in this year's first half while imports amounted to $70.9 billion, a 14.28 percent yoy decrease. It recorded a trade surplus of $5.5 billion over the first half of the year, compared to a deficit of $1.87 billion in the same period last year.

RCEP participating countries have expressed hope that the trade deal can help with their recovery from the economic slump caused by the COVID-19 pandemic.

"With the conclusion of […] RCEP negotiations, we have a bigger market access and support to enhance Indonesia's competitiveness," Jerry said. "However, this access must be complemented with improvements in product quality, branding, logistics system and payment system, among other things, so that our locally made products can successfully enter the global market."

The government expects to sign the trade deal in November, around eight years after it was introduced at the ASEAN Summit in Cambodia, after the completion of the legal scrubbing, which consists of a legal review of the text agreement.

"The government will ensure this phase [legal scrubbing] will not change the substance of Indonesia's interest," Jerry stressed.

Source: maritimegateway.com– Aug 20, 2020

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Asian ports grew fastest in 2019

Continued growth in global trade volumes in 2019 pushed the total container throughput of the 50 busiest cargo ports in the world up 3.5 percent year over year to more than half a billion TEU, according to the JOC Top 50 Global Container Ports 2019 rankings.

On a regional level, ports in Asia — including the Middle East and Indian subcontinent — continued to increase their already dominant share of the global market, accounting for nearly 79.3 percent of the combined 517 million TEU handled by the top 50 container ports last year, up from just shy of 78 percent in 2018. By comparison, European and North American ports represented 12.7 percent and 6.4 percent of the total, respectively.

The Port of Shanghai maintained its top spot on the list, reporting a 3.1 percent increase in container volume to 43.3 million TEU, more than four times the 9.7 million TEU handled by the busiest North American port, Los Angeles.

Thanks to an acceleration in sourcing shifts toward Southeast Asia and away from China spurred in part by the US-China trade war, Vietnam's Port of Ho Chi Minh City reported the highest growth rate of any port in the top 50 by a wide margin, increasing throughput 72.5 percent to 10.9 million TEU for the year and surging 13 spots to move into 15th place in the process.

Volume growth at the Mediterranean hub port of Tangier, Morocco, also vastly outpaced the market, albeit from a slightly smaller base, with container throughput rising 38.4 percent to 4.8 million TEU.

The Port of Rotterdam, the largest non-Asian container gateway, was able to crack the top 10 thanks in part to a 2.1 percent increase in container throughput to 14.8 million TEU.

Only 12 of the top 50 ports showed negative growth from 2017. The flagging Port of Hong Kong, which held the distinction of the world's busiest container port until it was dethroned by Singapore in 2004, continued to slide down the list, dropping one spot to No. 8 as its throughput dipped 6.3 percent to 18.4 million TEU.

The largest declines, however, took place at Yingkou, China, which saw throughput drop 15.8 percent to just under 5.5 million TEU, and Tanjung Priok, Indonesia, down 12.7 percent to 6.8 million TEU.

JOC.com's annual Top 50 Global Container Ports ranking is assembled using throughput data from port authorities, IHS Markit, and maritime industry analyst Alphaliner. IHS Markit is the parent company of JOC.com. The figures are expressed in millions of TEU, the most common measurement of containerized ocean shipping. One standard 40-foot ocean container equals two TEU. Non-containerized cargoes — i.e. dry bulk, liquid bulk, roll-on/roll-off (ro-ro), and oversized/heavy-lift project freight — are not included.

Source: maritimegateway.com– Aug 20, 2020

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Myanmar-ASEAN trade registers over $9.9 bln in 9 months

Trade between Myanmar and other members of the Association of Southeast Asian Nations (ASEAN) reached over 9.9 billion U.S. dollars in the first nine months of present fiscal year (FY) 2019-2020, according to the figures released by the Commerce Ministry on Wednesday.

From Oct. 1, 2019 to June 31, Myanmar earned over 3.6 billion U.S. dollars from exports to ASEAN member states while its import valued at over 6.3 billion U.S. dollars.

During the period, Thailand, Singapore and Malaysia were registered as the top three trade partners among ASEAN countries, registering trade values of over 3.9 billion U.S. dollars, over 3.3 billion U.S. dollars and over 1 billion U.S. dollar, respectively, the ministry's figures said.

Myanmar's trade with Indonesia recorded at an estimated value of over 936.5 million U.S. dollars, with Vietnam at over 609.47 million U.S. dollars, with the Philippines at over 122.74 million U.S. dollars, with Cambodia at over 25.7 million while trade with Laos registered over 1.3 million U.S. dollars and with Brunei over 0.31 million U.S. dollars.

Myanmar's agricultural, fishery products, minerals, manufacturing goods and others are mainly exported to foreign trade partner countries while the country imports capital goods, intermediate goods and consumer goods.

Source: maritimegateway.com– Aug 20, 2020

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Vietnam's VNPOLY becomes fibre provider for Adidas, Target

After two years of renewing commercial operations, the Vietnam Petrochemical and Fibre Joint Stock Company 's (VNPOLY) DTY yarn, produced along with a partner, has passed quality checks from two domestic customers who supply material to the Adidas group and the Target group.

Around 437 tonnes of this yarn has recently been sold to the above two enterprises.

These two main material suppliers are scheduled to maintain regular orders with VNPOLY and import about 50 tonnes of fibre per week.

In addition, a number of other customers in high-end segments also plan to buy yarn produced by VNPOLY with orders of 45-70 tonnes of DTY yarn per month, according to a Vietnamese newspaper report.

VNPOLY has coordinated with its partners to produce over 2,000 tonnes of yarn in the first seven months this year. Orders from traditional customers have been maintained, including from the United States, which consumed nearly 135 tonnes of VNPOLY yarn in the past few months and ordered an additional 90 tonnes in August and September.

Source: fibre2fashion.com– Aug 19, 2020

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Vietnamese firms ready to face 2nd COVID-19 wave

Many Vietnamese textile and footwear firms are confident they can alter plans depending on need and find new markets to cope with the second wave of the COVID-19 pandemic. Most such firms feel the situation is worsening in the two sectors as the epidemic returns. But the situation now is different as the demand for personal protective equipment (PPE) is shrinking.

The Vietnam National Textile and Garment Group (Vinatex) sustained operations and cash flow in the first six months of the year due to its decision to produce face masks and PPE, according to its general director Le Tien Truong.

But many manufacturers switching to manufacturing PPE led to oversupply, he added. Truong said developing the domestic market is the most feasible way to survive the pandemic.

Though the domestic market accounts for only 10 per cent of the industry's capacity and cannot fully mitigate the unemployment problem, it is still a solution, he said. Support from the government in the form of access to cheap credit and deferred tax payment is also imperative, he was quoted as saying by a Vienamese newspaper.

Phan Thi Thanh Xuan, general secretary of the Vietnam Leather, Footwear and Handbag Association (LEFASO), too said though the domestic market is very small, developing it would be a key solution amid the difficulties in exporting.

Source: fibre2fashion.com– Aug 19, 2020

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Yarn and fabric prices in Bangladesh unsatisfactory: BTMA

Though Bangladesh's demand for yarn and fabrics has been increasing, prices are not at the satisfactory level, said Mohammad Ali Khokon, President, Bangladesh Textile Mills Association (BTMA).

Some mills are running at 70 per cent capacity, while others are operating at 65 per cent and some less than 60 per cent as demand for yarn and fabrics has been increasing.

Although prices of cotton, have declined in the international markets, local spinners could not take advantage of this as the cotton they had was imported before the pandemic at 75 cents to 80 cents per pound, says Mansoor Ahmed, Secretary, BTMA.

Sale of yarn and fabrics in Bangladesh export-oriented spinning and weaving mills is on the rise thanks to higher inflow of work orders from international retailers. This has put the country's primary textile sector, which incurred losses of more than Tk 20,000 crore, on the path of quick recovery although prices remain below expectations.

Faisal Samad, Vice-President, BGMEA, said inflow of work orders is also better than that of previous three months. A good number of buyers have been reissuing work orders they had previously cancelled and placing new ones as retailers in the EU and US have opened up their stores. The shipment of these new work orders will start from November.

Source: fashionatingworld.com– Aug 19, 2020

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Bangladesh: Garment industry owners want 10pc incentive for 2 more yrs

Garment manufacturers have urged the government to give them additional policy support to help the sector overcome the negative impact of the ongoing Covid-19 pandemic.

The supports are enhancement of the existing incentives from 4 percent to 10 percent for next two years, immediate implementation of stimulus package and reduction of corporate tax in the sector, they said.

According the BGMEA sources, around 320 out of 2200 of its member factories were closed in the last few months. On the other hand, BKMEA said around 110 out 850 of its member factories were closed during the time. "Under this circumstance, we need government's support to survive at this moment. Among the other supports, we need enhancement of incentives from 4 percent to 10 percent for next two years immediately," said Hatem Ali, Vice-President of the Bangladesh Garment Manufacturers and Exporters Association (BKMEA).

Hatem said also garment industry, the major foreign currency earning sector, will be facing a big trouble, if the policy makers delay to implement the incentive package.

He further said Bangladesh earned $3.24 billion from apparel shipment in July though the amount is 1.98 per cent lower than a year earlier and the export earnings from the sector are likely to more below 1.6 billion in August, September and October.

Ahead of the Christmas Day, the export earnings from the sector may rise, but the country may experience a negative growth in export, he observed.

Prof Dr Mustafizur Rahman, Distinguished Fellow of CPD, said, "We need to give importance to a few aspects - business package, exchange rate policy, early release of stimulus packages, ease of doing business, bringing down the lead time and making the market more competitive."

"We also need to encourage more foreign investors to invest in the RMG sector of Bangladesh, which will play a significant role," he added.Â The sector insiders said that buyers started to place work orders after reopening of the stores of the retailers in European and American markets, but insufficient to meet operational cost of the factories at the moment.

Moreover, the prices of the orders placed by the buyers are at least 10-15 percent less than the prices of normal time with delayed payment as they feared of second wave of the ongoing pandemic, they said.

"It is too difficult to carry out the orders, though some factories are receiving due to realize their operational costs and banks loans," said Faisal Samad, Senior Vice-President of the BGMEA.

Shams Mahmud, President of the DCCI, said orders are coming but it is slow as the buyers from the western countries are moving forward cautiously fearing the second wave of the Covid-19 pandemic.

He also observed that there is a scope of increasing export earnings from the sector by developing the sector technologically and making valued items.

"At the moment we are using 60-70 percent of our capacity. But the major threat is the second wave of the coronavirus infection in the Western market. If that happens, it will be a bigger disaster for us," said Azimul Islam, Managing Director of Alif Group.

Garment export receipts in July are 14.18 per cent higher than the monthly target of $2.84 billion. Of the total garment shipment, knitwear exports grew 4.30 per cent year-on-year to $1.75 billion while woven exports fell by 8.43 per cent to $1.49 billion, according to data from the Export Promotion Bureau.

Earnings from apparel shipment in April, May and June stood at $0.37 billion, $1.23 billion and $2.28 billion respectively.

The export earning target was $38.20 billion the immediate past fiscal year. But the country exported $34.13 billion worth of RMG products in the 2018-19 fiscal.

Source: thedailynewnation.com– Aug 20, 2020

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Pakistan: Spike in cotton prices helps raise Pakistan's textile exports

Following improvement in economic indicators of the country coupled with enhanced demand for Pakistan's textile products in western nations, textile exports surged 33% to $1.27 billion in July 2020.

According to the Pakistan Bureau of Statistics, the country exported $959 million worth of textile merchandise in June 2020.

According to a report of Shajar Research, the rise in textile exports from Pakistan was mainly led by higher cotton prices in the international market, which translated into higher sales revenue. It elaborated that cotton prices rose 3% in July 2020 to an average of $63 per pound.

"The spike in international cotton prices came on the bank of a phenomenal recovery in global economic activities," the report said.

It pointed out that Pakistan's textile exports surged 14.4% on a year-on-year basis as exports stood at $1.11 billion in July 2019.

"This came as the US dollar and euro strengthened against the Pakistani rupee by 4.41% and 11% on a year-on-year basis respectively in July," it said. "Euro rose to an average of Rs197 against the rupee while the dollar closed at Rs168 in July 2020."

However, the report pointed out that average prices of cotton declined 2% compared to July 2019, when prices stood at $64 per pound. The textile sector also grew owing to a recovery in demand from the large-scale manufacturing sector.

According to Taurus Securities, textile production, the biggest contributor to the Large-Scale Manufacturing Index (LSMI), fell 6.8% in June 2020 against the same month of last year, after falling 30.5% year-on-year in May.

"The recovery can be attributed to the ease in lockdowns and the resumption of full operations," it said.

Generally, the LSMI was down 10.2% year-on-year and up 16.8% month-on-month in June 2020.

Pakistan-Kuwait Investment Company Assistant Vice President Adnan Sami Sheikh said textile demand had accumulated in those foreign countries which imported Pakistani textile items in huge quantities.

The steps taken by Pakistan's government to help exporters also played a major role in the spike in textile exports last month, he said. "However, this uptrend will flatten once the demand is met."

Source: tribune.com.pk– Aug 19, 2020

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Pakistan: Commerce Ministry for Promoting 'Make In Pakistan' To Reduce the Import Bill, Boost Exports

Ministry of Commerce, through tariff rationalization and budgetary intervention, is promoting 'Make in Pakistan', which aims to reduce the import bill and boost exports, managing the problem of balance of trade.

According to two Years Performance Report launched by the government here Tuesday, various reforms have been initiated to better Commercial Intelligence, trade diplomacy, market access and also to follow the diversification of export products in international market.

The key objective of the policy is to diversify Pakistan's exports, in terms of product diversification as well as geographical diversification.

According to the report, Value-addition to exports is another objective, particularly in the textile sector and food processing. The government has prioritized the e-Commerce and digital industry's growth to make it one of

the key drivers of Pakistan's economy for contributing achieving higher export growth through enhanced activities from e-Commerce platforms.

In order to enhance trade and increase outreach to major African economies, the Ministry of Commerce launched "Look Africa Policy Initiative" in 2017-18.

Among other steps under the policy, Ministry of Commerce relocated/opened six new Commercial Sections in addition to four already established Commercial Sections, to cover the top ten economies of Africa.

The Ministry of Commerce organized the first ever Pakistan-Africa Trade Development Conference (PATDC) on 30-31 January, 2020, in Nairobi, Kenya. Conference was attended by Official and Business Delegates from Twenty-Six (26) MINISTRY OF COMMERCE 37 African Countries, as well as Eighty-Five Pakistani companies from various sectors.

In order to provide an opportunity of networking to exporters from Pakistan and importers in Africa, B2B meeting Secretariat was established at the venue and a total of 1883 business meetings took place between Pakistani exporters and African buyers.

Despite ongoing pandemic Pakistan's exports to Africa is witnessing growth.

In order to further strengthen trade ties with countries in the middle Eastern region and the GCC various events were organized including Pak-Saudi Arabia Business Conference, Pak-Qatar Trade and Investment Forum were held in 2018-20.

Additionally, Qatar lifted the ban on Pakistani Rice and so far 48000 MT rice have been exported to Qatar.

Ministry of Commerce in collaboration with TDAP is organizing Pakistan's participation in mega event of EXPO 2020 to be held in October 2021.

Pakistan - Afghanistan business forum was organized in June, 2019 during visit of Afghan President to Pakistan.

The Third Biennial Review of the European Union GSP Plus (2018-19) has successfully concluded in March 2020 and the facility is to continue for Pakistan.

The Strategic Economic Framework (SEF) was signed between Pakistan and Turkey.

The first ever Pakistan Turkey Business and Investment Forum were organized by Ministry of Commerce in partnership with the Turkish Ministry of Trade, and the Foreign Economic Relations board of Turkey.

After extensive consultation with the public and private stakeholders, the Ministry of Commerce got the import duties reduced on 1639 Tariff Lines of raw materials and inputs in the annual budget 2019-20. Furthermore, the import duties of more than 1600 tariff lines have been reduced to absolute zero in the annual budget 2020-21.

In order to implement the first ever National Tariff Policy (NTP) 2019-2024, in line with the vision of Government, a number of measures have been taken like studies on Iron and Steel sector, tariff rationalization of 135 smuggling prone items, changing tariff structure under Make in Pakistan Initiative, exemptions of additional customs duty on 1623 Tariff Lines (Primary raw material) and others.

Source: urdupoint.com– Aug 18, 2020

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NATIONAL NEWS

Trade pacts: Economic Survey argued FTAs beneficial but Niti Aayog wants a review

The calls for a less liberal foreign trade policy are getting louder and reaching a crescendo, with more sections within the government extending allegiance to the new-found cause. The Niti Aayog has suggested to the Prime Minister's Office (PMO) that a panel be set up to review India's free trade agreements (FTAs), including with Asean, to "contain round-tripping of imports" into the country.

In a recent presentation to the PMO, Niti Aayog chief executive Amitabh Kant is learnt to have said the panel could be set up under Niti vice-chairman Rajiv Kumar for the "evaluation of the performance of FTAs".

With this, Niti joins industry bodies and various ministries — from steel to dairy — in seeking a re-examination of various FTAs on grounds that these pacts have only worsened India's trade imbalance over the years.

But this view is patently at odds with that of the Economic Survey for 2019-20, which insists FTAs have actually benefitted India.

Taking into account certain confounding factors, the Survey pointed out that between 1993 and 2018, India's annual exports of manufactured products to its trading partners, with which it had signed the FTAs, jumped by 13.4% and total merchandise despatches rose 10.9%.

Similarly, while imports of manufactured products increased by 12.7% a year during this period, overall goods imports from these partners gained 8.6%. "Thus, India has clearly gained 0.7% increase in trade surplus per year for manufactured products and 2.3% per year for total merchandise," the Survey under chief economic advisor Krishnamurthy V Subramanian concludes.

In his presentation to the PMO, Kant suggested apart from Kumar and him, the panel can comprise the secretaries of finance, commerce, economic affairs and the department for the promotion of industry and internal trade (DPIIT), and a report can be submitted in 45 days.

Giving an illustration of the "roundtripping" of supplies into India through an abuse of the rules of origin under the India-Asean FTA, Niti says after India's customs duty hikes on certain electronic products in FY19, imports from China dropped, while those from some Asean members surged. According to the DGCIS data, imports from China dropped by 7.9%, year on year, to $70.3 billion. However, purchases from Singapore shot up by as much as 118%, Hong Kong by 68.5% and Vietnam by 43.3% in FY19. This suggests some Chinese supplies were diverted to India illegally through the Asean members in which Beijing has made huge investments.

As such, India's merchandise trade deficit with China stood at $53.6 billion in FY19, or nearly a third of its total deficit, and $48.7 billion in FY20, even without factoring in the deficit with Beijing-proxy Hong Kong.

Some analysts point out that, given the surge in protectionism around the world, it's imperative to ensure more and more Indian products get market access in FTA partners, without being subject to tariff or non-tariff barriers. To that extent, a review of existing FTAs is desirable. However, if the government decides to shelve such agreements, erect tariff barriers just to promote domestic industry, that would reverse the progress already made since the liberalisation in 1990s and would be detrimental to the country's long-term interests.

For its part, the government has maintained that its Atmanirbhar initiave is neither "protectionist nor isolationist".

After its pull-out from the China-dominated RCEP agreement in November last year, New Delhi had decided to step up talks for a slew of "balanced and fair" trade pacts, in contrast with earlier FTAs that "worsened India's trade deficit".

It had aimed at a "limited" deal with the US, which had been in the works for several months, and a broader FTA after the presidential elections there in November. Similarly, India wanted to clinch a trade deal with Australia this year and revive stalled talks with the EU. The Covid-19 outbreak, however, has pushed the matters back, although the talks may resume once the pandemic is behind us.

However, it also wants to rework its existing FTAs with Asean, Japan, Malaysia and South Korea to trim its trade deficit with these nations. Earlier this month, commerce and industry minister Piyush Goyal called upon Tokyo to reduce its huge trade surplus of about $8 billion with New Delhi.

Source: financialexpress.com– Aug 19, 2020

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Covid effect: World Bank may project steeper growth contraction for India

Calls for more reforms in health, land, labour and financial sectors to counter the impact of the pandemic

The World Bank on Wednesday indicated further lowering of growth projection for India. It has also pitched for accelerating reforms key areas such as health, labour, land, skills and finance so that the country can come out stronger from the impact of the Covid-19 pandemic.

In May, World Bank had estimated the Indian economy to contract by 3.2 per cent during FY 2020-21. This is lower than many other agencies who had projected a deceleration of up to 5 per cent.

"A steeper contraction may be projected in the revised outlook that will be available in October 2020," the Bank said in 'The India Development Update,' a publication which takes stock of the Indian economy.

New challenges

The report said that the May projection was forecast with several downside risks. Further challenges have emerged in recent weeks which are likely to weigh on the prospects in the near term.

"These risks include the virus continuing to spread; a further deterioration in the global outlook; and additional strains projected on the financial sector," the report said while mentioning that all these factors to play important role in further revision of growth outlook.

"While the Government of India, with the support of the Reserve Bank, is continuing to take action to limit the impact of the Covid-19 pandemic, there is a recognition of both the uncertainty of the nature of the economic revival globally and the emergence of opportunities opened by the current crisis," said Junaid Ahmad, World Bank Country Director in India.

According to him, countries that invest in sectoral reforms — infrastructure, labour and land, human capital — and ensure that their national systems are connected to global value chains, are more capable of responding to uncertainties and are better placed to take advantage of global shifts.

"Investing in these areas will give India the ability to navigate these uncertainties and be more competitive as the world emerges from the pandemic," he said.

Priority areas of reforms

The report expects that furthering reforms in agriculture, education, public sector, will help put the economy back on a 7-per-cent growth path. The report pitched for strengthening fiscal reforms which could include reassessing subsidies, aggressive generation of non-tax revenue and linking of repayment of new borrowings to disinvestment receipts.

The report also called for financial sector reforms that include financial sector stability, strengthening risk-based regulation and oversight of NBFCs., revisiting investment guidelines for institutional investors to crowd in long-term finance, mainstreaming fintech to reach firms faster and at a lower cost, scaling back the statutory requirement for state banks to provide liquidity, beside others.

"The recent liquidity and performance issues in the financial sector, exacerbated by the Covid-19 crisis, present policymakers with a strong reason — and an opportunity — to accelerate efforts towards building a more efficient, stable, and market-oriented financial system," said co-authors of the report Poonam Gupta (Lead Economist, World Bank) and Dhruv Sharma (Senior Economist, World Bank).

Source: thehindubusinessline.com– Aug 19, 2020

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Govt finally operationalizes Rs 20,000 cr credit scheme for distressed MSMEs; here's how it works

Credit and Finance for MSMEs: Nearly two months after the launch of Rs 20,000-crore subordinate debt scheme by MSME Minister Nitin Gadkari for distressed or NPA MSME accounts, the government on Wednesday operationalized it. The announcement was made by the MSME Ministry on Twitter. "All preparation is done.

All PSU Banks and some Pvt Banks are on board. Contact your bank," the Tweet read. The scheme was announced by Finance Minister Nirmala Sitharaman in May as part of the Rs 3.7-lakh-crore MSME package under the Rs 20-lakh-crore stimulus for Atmanirbhar Bharat campaign and to help businesses recover from the Covid impact.

According to the scheme, 2 lakh operational MSMEs, which are stressed and have turned NPA as on April 30, 2020, will be benefited. The owners of such MSMEs would be eligible to raise credit equivalent to 15 per cent of their stake (equity plus debt) in the business or Rs 75 lakh whichever is lower.

Promoters would have to invest the debt raised in the business as equity to improve liquidity and maintain the debt-equity ratio, according to the MSME Ministry. While 90 per cent of the guarantee support for the amount will be under the scheme, the remaining 10 per cent would be contributed by promoters of the MSME. The scheme offers a 7-year moratorium for MSMEs for paying the principal amount while the maximum period for repayment would be 10 years.

"For the first time in India, funding for NPA MSMEs has been announced. So, MSMEs will also be out of the NPA stigma as well. It is a historical decision of Modi Government, due to which many viable NPA MSMEs will live with dignity with the new standard classification to them after getting this funding," Mukesh Mohan Gupta, President, Chamber of Indian Micro, Small & Medium Enterprises (CIMSME) told Financial Express Online at the launch of the scheme. The association represents 1.10 lakh MSME members.

The Reserve Bank of India (RBI) had earlier this month extended the restructuring of MSME debt until March 31, 2021, "provided the borrower's account was classified as standard with the lender as on March 1, 2020," a statement by the central bank had said. The government had earlier

extended the period to December 31, 2020, from March 31, 2020, following Sitharaman's announcement in the budget that the government had asked the RBI to extend the same. MSME Minister Nitin Gadkari had in May said that the government may restructure 25 lakh MSMEs by December this year up from 6 lakh till March 31.

Source: financialexpress.com– Aug 19, 2020

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Govt permits exports of certain non-woven fabrics used for making masks, coveralls

The Indian government has lifted curbs on exports of nonwoven fabrics of 25-70 GSM (grams per square metre) with ITCHS Codes 560312 and 560392, used to make masks and coveralls. However, export of melt blown fabric of all GSM continue to be prohibited for outbound shipments. Export of all nonwoven fabrics was banned in the wake of COVID-19 pandemic.

The Directorate General of Foreign Trade (DGFT), under the ministry of commerce & industry, has issued a notification on 'Amendment in Export Policy of textile raw material for masks and coveralls', which states: "The Notification No. 18 dated July 13, 2020 is amended to the extent that only melt blown fabric of any GSM is prohibited for export. All other nonwoven fabrics of any GSM (including of GSM 25-70 which were earlier prohibited) are freely allowed for exports."

In March this year, the DGFT had prohibited exports of textile raw materials for masks and coveralls, and surgical or disposable masks. Subsequently, on July 13, DGFT allowed exports of nonwoven fabric other than 25-70 GSM, while continuing to prohibit exports of fabric of 25-70 GSM.

The Non-Woven Federation of India (NWFI) had recently urged the government to remove restrictions on export of spunbound nonwoven fabric of 25-70 GSM. Making the plea, NWFI president Suresh Patel had said, "This policy of partially lifting of ban on nonwoven fabric exports is technically not correct, as there is no differentiation in manufacturing facilities on the basis of GSM."

Source: tribuneindia.com– Aug 18, 2020

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Textile Ministry to provide certified seeds to jute farmers: Smriti Irani

MoU signed between NSC and JCI for distribution of seeds

The Ministry of Textiles has said that it will make available certified jute seeds to farmers through the Jute Corporation of India (JCI) to improve production and productivity of raw jute in the country.

The National Seeds Corporation (NSC), a CPSE under the Ministry of Agriculture and Farmers' Welfare, would ensure delivery of the certified seeds to the JCI and an MoU was signed between the two on Wednesday for distribution of the certified seeds in 2021-22, according to an official release.

Union Minister of Textiles Smriti Irani and Union Minister of Agriculture & Farmers' Welfare Narendra Singh Tomar witnessed the MoU signing through virtual mode, in which the CMDs of JCI and NSC were were also present.

Irani said that in addition to becoming self-reliant in requirement of jute for the domestic market, the next target was to strengthen the export potential of the country in jute and its products.

There was immense potential for increasing the use of jute in lining of water bodies, road building and construction of structures to contain landslides in hilly areas, she said.

Tomar stressed on the importance of improving the production and quality of raw jute in the country, and said that providing value addition to the produce will contribute in achieving the Prime Minister's target of an 'AtmaNirbhar Bharat'.

He also highlighted the need for preparing a road map for building jute export potential within a fixed time frame.

Source: thehindubusinessline.com– Aug 19, 2020

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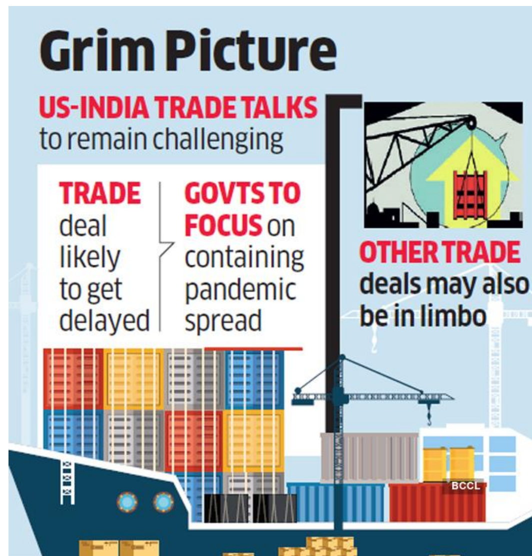
India-US trade negotiations still a challenge: Moody's Investors Service

US-India trade negotiations will continue to be challenging and are likely to get delayed due to the Covid-19 pandemic, said Moody's Investors Service.



The two sides have been trying to thrash out a trade package with limited scope with the long-term aim of a free trade agreement (FTA) since last year, amid a plethora of unresolved trade issues.

Delay will be seen in other global trade negotiations as well, including phase two of the US-China agreement, European Union trade talks with the US and Britain, Regional Comprehensive Economic Partnership (RCEP) in Asia and African Continental Free Trade Area (AfCFTA) trade talks.

Source: economictimes.com– Aug 19, 2020

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Decoding equalisation levy for e-commerce sector: E-retailers may pass cost burden to sellers, consumers

Equalisation Levy (EL) was introduced in India in 2016. However, it became more intensive in scope and reach, and was slipped surreptitiously into the Finance Act, 2020 just before passage of the Budget, without any debate and discussions. The new EL was to come into effect from April 1, 2020, giving foreign companies operating in the digital space less than 10 days' notice.

The scope and reach of the revised EL came as a bolt from the blue for all stakeholders, as the broadest digital tax currently levied or proposed across the globe. In its present form, the EL proposes to levy 2 per cent tax on all non-residents engaged or facilitating the online sale of goods or services subject to certain conditions, in addition to the existing levy of 6 per cent on online advertisements. The EL is required to be paid directly by the non-resident, implying that no grossing up is possible.

Why Digital Tax?

The moot question is whether the complex profit-shifting arrangements choreographed by digital multinational enterprises to avoid tax liability in jurisdictions in which they operate digitally or market products, but do not have a permanent establishment, deserve to be taxed in such market states even in the absence of a permanent establishment. As territory-agnostic digital technologies evolved and the globe shrunk into a virtual space at the turn of the century, tax administrations realized that the extant laws were insufficient to bring such virtual entities under the tax net.

Moreover, considering how COVID-19 has made digital technology a game-changer, countries are looking to leverage the current momentum. It must be noted that the Organisation for Economic Co-operation and Development (OECD) recognized the need to tax digital players, and considered equalization levy as one of the possibilities in its 2015 Action 1 Report, along with a disclaimer regarding the possible conflict with treaty obligations.

The controversial Equalisation Levy

The Indian EL has been rife with controversy since its introduction. It was argued that the EL did not conform to many of the rudimentary and internationally accepted attributes of taxes imposed by nation-states. It had extraterritorial reach, that is, a right to tax non-residents with no physical nexus to India.

It is worth mentioning that in a recent response to the United States Trade Representative (USTR) investigations against the EL, the Government of India rubbished this argument, citing the US Supreme Court's own judgment which had held that online sales were sufficient for the levy of taxes, and physical presence was not necessary.

The judgment was rendered in relation to sales taxes levied on US-resident remote sellers by the State of South Dakota. The authors believe that the principles of international taxation are entirely different from local arrangements within the territories of a country. Since the EL could potentially infringe the residence country's right to tax the non-resident e-commerce operator, it will become a hot topic to ascertain India's jurisdiction.

The EL is levied on gross receipts from e-commerce supply, whereas taxes are levied on income, after reducing relevant expenses and deductions. Further, the EL is outside the ambit of income tax as it was introduced through Finance Act, 2016, and is therefore not covered by double taxation avoidance agreements (DTAAs). Consequently, non-residents subjected to EL cannot claim relief under DTAAs and will not be entitled to credit for EL paid in India in their country of residence.

International negotiations and Pillar 1 approach

The 2015 OECD Action 1 Report has developed over time into an exhaustive digital taxation proposal, referred to as the "Pillar 1" approach, currently being negotiated at the OECD. A unilateral measure like the EL, in the wake of full steam multilateral negotiations, has the effect of undermining the international efforts towards achieving uniformity in digital taxes. Incidentally, the recent expansion of EL coincided with slight delays in negotiations on digital taxation at the OECD on account of COVID-19.

The government is aware of its responsibility to await a global consensus-based solution to taxation in the digital economy but ominously ignored it, conceivably due to disagreement with the OECD approach and the urgent requirement of revenue amid the pandemic.

A unilateral EL not having the backing of international consensus will have a domino effect on Indian consumers. E-commerce operators will inevitably look to pass the additional costs of the new tax to sellers or consumers, as Amazon has announced to its sellers in the UK, where a similar levy will be operationalised soon.

The USTR has begun investigations into the EL, deeming it to be an unfair trade practice. If a positive finding is made through the investigations, the US will proceed to raise tariffs against Indian goods and services, which may culminate in a global trade war, more so if tariff barriers are thrown against France and UK as well. Irrespective of the USTR investigations, the challenges to EL will soon come home to roost in Indian courts, and the EL will have to be judicially tested on the touchstones of jurisdiction, constitutionality, and non-discrimination.

Source: financialexpress.com– Aug 19, 2020

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