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The Cotton Textiles Export Promotion Council (TEXPROCIL)
Engineering Centre, 5th Floor, 9, Mathew Road, Mumbai 400004. Maharashtra State. INDIA
W. www.texprocil.org E. ibtex@texprocil.org T. +91-22-23632910 to 12 F. +91-22-23632914

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INTERNATIONAL NEWS

Global economy recovering, but may be losing momentum: IMF

The global economy is recovering from the depths of the coronavirus crisis, but there are signs of slowing momentum in countries with resurging infection rates, the International Monetary Fund said in a new report for G20 major economies.

The report, released ahead of this week's virtual meetings of finance officials and leaders from the Group of 20 countries, underscored the uneven nature of the global recovery and warned the crisis would likely leave deep, unequal scars.

In a separate blog post, IMF Managing Director Kristalina Georgieva hailed what she called significant progress in the development of vaccines to vanquish a virus that has claimed more than a million lives around the globe and resulted in tens of millions of job losses.

But she cautioned that the economic path ahead remains "difficult and prone to setbacks."

The IMF last month forecast a 2020 global contraction of 4.4%, with the global economy expected to rebound to growth of 5.2% in 2021, but said the outlook for many emerging markets had worsened.

Georgieva said data received since that forecast confirmed a continuing recovery, with the United States and other advanced economies reporting stronger-than-expected economic activity in the third quarter.

But she said the most recent data for contact-intensive service industries pointed to a slowing momentum in economies where the pandemic was resurging.

While fiscal spending of nearly $12 trillion and monetary policies had averted even worse outcomes, poverty and inequality were increasing, and more support was needed, the IMF said. New outbreaks and more stringent mobility restrictions, and delays in vaccine development and distribution could reduce growth, increase public debt and worsen economic scarring.

Georgieva urged G20 countries to act swiftly and in a united manner to provide continued support and ensure enough vaccines were available around the world, warning that no recovery could be sustained unless the pandemic was defeated everywhere. The head of the World Health Organization (WHO) on Monday said G20 leaders had an opportunity to commit financially and politically to the COVAX global facility, set up to provide COVID-19 vaccines to poorer countries.

Source: brecorder.com– Nov 20, 2020

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US consumers embrace early start to holiday shopping: NRF

Over 40 per cent of US holiday shoppers have started earlier than they normally do, according to the annual survey released recently by the National Retail Federation (NRF) and Prosper Insights & Analytics. "Retailers have demonstrated their commitment and ability to ensure safe shopping environments for their customers and their associates," said NRF president and chief executive officer (CEO) Matthew Shay.

As of early November, 59 per cent of holiday shoppers said they had started making purchases, a 21 per cent increase from a decade ago. Even so, there is still plenty of shopping left to do. On average, holiday shoppers said they have completed only 26 per cent of their shopping so far, NRF said in a press release.

Retailers' top priority is the health and safety of their employees and customers, and these investments are paying off. A large majority (70 per cent) of holiday shoppers say that given the precautions retailers have taken for COVID-19, they have felt safe shopping in stores this holiday season.

NRF launched a consumer education campaign called 'New Holiday Traditions' to encourage consumers to shop safe and shop early this holiday season.

Retailers began stocking their shelves with holiday inventory and offering holiday promotions as early as October. As a result, 69 per cent of holiday shoppers say they are able to find the items they are looking for all or most of the time, and 84 per cent are confident they will receive items they order online in time for the holidays.

Clothing and accessories are the most popular gift category, according to 54 per cent of those surveyed, followed by gift cards/gift certificates (49 per cent), toys (37 per cent), books and other media (34 per cent) and food/candy (28 per cent).

Credit cards (42 per cent) remain the top form of payment consumers plan to use this holiday season, followed closely by debit cards (41 per cent). Just 15 per cent of consumers listed cash as a top form of payment during the holidays, the lowest in the survey's history and likely related to the coronavirus.

Half (49 per cent) of shoppers plan to use an alternative form of payment such as PayPal, Apple Pay, Samsung Pay or Venmo. The survey of 8,362 adult consumers was conducted from November 2 to 9.

Source: fibre2fashion.com– Nov 20, 2020

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Francesca's in US to shut down 140 stores by Jan

Houston-based clothing retailer Francesca's recently announced in a filing with the Securities and Exchange Commission (SEC) that it will shut down 140 stores by 30 January.

The company also clarified that if it fails to raise enough capital to continue its operations and honour its commitments, it will seek reorganisation under bankruptcy protection.

It has been exploring various options like cutting costs, debt refinancing and lease to improve its financial position. Though Francesca's had been struggling since last year, the pandemic led to forced store closures, which finally dented its capital and inventory structure.

Most of its 700 stores run in malls, that too are in a poor state now.

Source: fibre2fashion.com - Nov 19, 2020

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Vietnam could gain if Bangladesh fails to tap duty-free knitwear exports to China

National perspective plans 'Vision 2021' and 'Vision 2041' were launched by Bangladesh to transform itself from least developed countries (LDCs) to a middle-income country, and become a developed nation by 2041.

'Vision 2041' aims to amplify Bangladesh's bilateral trade strategies to uprgrade its industrial eco-system and make substantial investments in infrastructure, says a Textile Today report. Primarily, the vision aims to establish a strong trade relationship with leading Asian economic giants like China to make 'Export Policy 2018-2021' a reality.

Bangladesh-China close ties spur infrastructure investments

Bangladesh seems to have succeeded in establishing a close relationship with China. This can be gauged from the credit lines offered by China for key infrastructure projects in Bangladesh and investment inflows in power and energy, textiles, weaving, leather, footwear, construction, light engineering, and stock exchange.

This elevated strategic partnership is a result of recent visits by the Chinese President Xi Jinping in October 2016 to Bangladesh and Prime Minister Sheikh Hasina's visit to China in July 2019. With strengthened bilateral relationship, China has granted duty-free access to 97 per cent Bangladeshi products from July 1, 2020.

The Tariff Commission of the State Council of China has also implemented zero-tariffs on 8,256 products originating from Bangladesh. Additionally, China's duty -free coverage has freshly included 5,161 numbers of products. This resulted in the trade between Bangladesh and China in FY 2019-20 increasing to $ 12.14 billion through the export to China were only $ 600.11 million.

Growth opportunities in China's RMG market

Over the last 10 years, from CY 2010-2019, China's RMG market has increased by 368 per cent while its RMG imports have hovered around 0.50 per cent.

The annual average imports of its knitwear and woven garments, which had fallen in in 2009 due to the world financial crises, bounced back by 29.23 per cent in CY 2010 and by 45.09 per cent in CY 2011. Since CY 2012 the imports of HS Code 61 & 62 had been following cyclical growth and fall.

Unfortunately, Bangladesh could not explore the growth opportunities in knitwear market as Vietnam is nearer to China than Bangladesh. Also, as a member state of ASEAN, Vietnam enjoys duty free facilities given by China, since ASEAN-China Free Trade Area (ACFTA) January 1, 2010.

Duty free advantage helps Vietnam outstep Bangladesh

The share of Vietnam's knitwear exports to China has been continuously increasing as the country had been able to grab market share of other smaller exporting countries.

However, exports by rest of the World are forecasted to increase in CY 2020 and CY 2021. Over the last three years, Bangladesh's exports of top 10 knitwear products have increased. These include knitted T-shirts, singlets, jerseys, trousers, shirts, whose exports have grown by double-digit CAGR, indicating the high potential of Bangladesh in export of these items.

However, Bangladesh's knitwear exports to China are expected to decline by CY 2021 if the country fails to explore the Chinese duty free facility up to the optimal level.

Source: fashionatingworld.com- Nov 19, 2020

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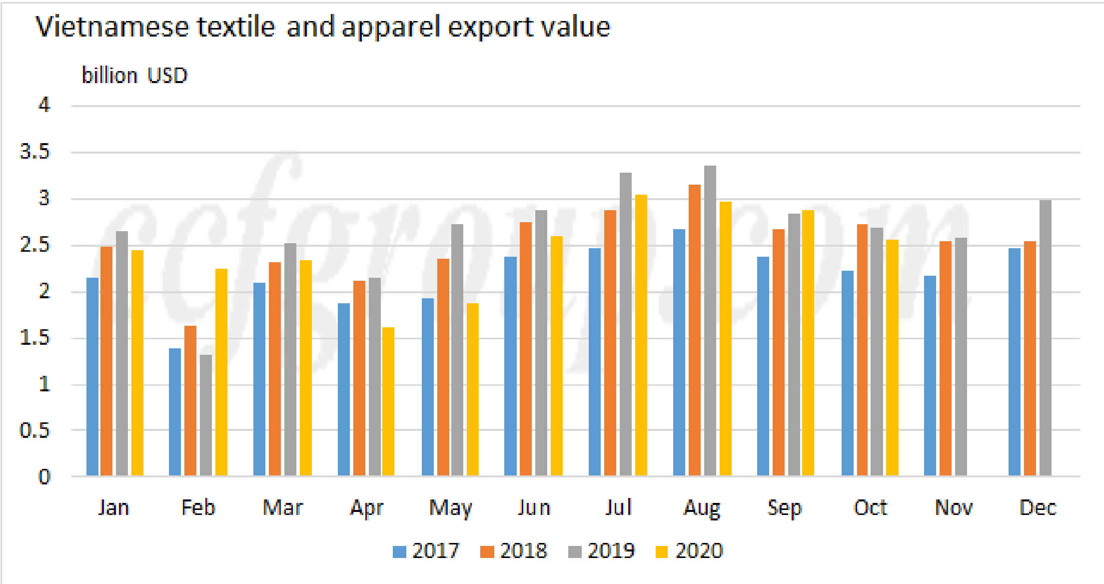
Vietnamese textile and apparel export value dropped year-on-year in Oct

In Oct 2020, Vietnam exported 2.561 billion USD worth of textile and apparel, down by 4.7% year-on-year, and 183,100 tons of yarn, up by 16.1% year-on-year.

During Jan to Oct 2020, Vietnam exported 24.573 billion USD worth of textile and apparel, down by 9.3% year-on-year, and 1,384,500 tons of yarn, down by 0.4% year-on-year.



Source: ccfgroup.com – Nov 18, 2020

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Pakistan: Readymade garments, bedwear exports post growth: Hafeez

Despite Covid-19, exports of knitwear, bedwear, and readymade garments have shown growth of 12.3 percent, 10 percent, and 4.7 percent, respectively during the first four months of the current fiscal year over the same period a year before, said Adviser to Prime Minister on Finance Dr Abdul Hafeez Shaikh.

The adviser on finance further stated through a tweet that knitwear, bedwear, and readymade garments have been top three exporting sectors of the country during the first four months. He added that to support export industry, the Pakistan Tehreek-e-Insaf (PTI) government ensured a market-driven exchange rate, competitive energy prices, and resolution of liquidity issues.

As a result, exports are rising despite COVID-19.

"Our government top priority is to promote value added exports & industrialisation in the country," he added.

The knitwear export increased to $1.8 billion during the first four months of the current fiscal year from $1.05 billion during the same period of last fiscal year, and bedwear export increased to $900 million during July-October 2020 over $818 million for the same period of last fiscal year.

The adviser said that export of readymade garments increased from $950 million to $947 million during the first four months of the current fiscal year. The adviser further stated that current account deficit was surplus for the fourth consecutive month after $382 million surplus in October 2020.

The present government, he recounted inherited a current account deficit of $19.2 billion. We have reduced it to $3 billion in last fiscal year, and now a surplus of $1.2 billion this year with fourth consecutive monthly surplus. He added that the government would continue its efforts for an export-oriented domestic productivity-driven sustainable growth.

The adviser also draw a graphic comparison and stated that the current account deficit was $2.4 billion during July-October 2016, $5.6 billion during the first four months of fiscal year 2017, $5.4 billion in 2018, and $1.4 billion in the first four months of 2019.

Source: brecorder.com – Nov 20, 2020

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Exporters to get 210 days to repatriate earnings: Bangladesh Bank

Bangladesh Bank yesterday said all exporters irrespective of the products they were trading would be allowed a maximum 210 days to bring their earnings into the country due to the ongoing economic hardship resulting from the coronavirus pandemic.

Earlier only exporters of readymade garments and textile sectors were allowed to avail the facility.

The extension will remain effective until March next year, according to a central bank notice.

Exporters have been facing problems in repatriating their receipts on time as per the central bank's regulation as the global economy has been in dire straits.

A good number of foreign buyers are now unable to make their payments against items they are importing from Bangladesh, creating a problem for the country's exporters.

Against this backdrop, the deadline for repatriating the export earnings for the readymade garments and textile sectors was extended from 120 days to 180 days on March 19.

The central bank had initially said the facility would remain effective until September this year.

On July 23, the deadline for the RMG and textiles sectors was extended by another 30 days, which would remain effective until March 2021.

Source: thedailystar.net– Nov 19, 2020

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Pakistan: Textile exporters unable to finalise new orders

Textile exporters have urged the government to pay attention to cotton production, cultivation area and cotton yield in order to support the value-added textile chain as cotton and cotton yarn are basic raw materials for its survival and development.

Owing to a decline in cotton harvest, the production of value-added textile sector has suffered due to unavailability of cotton yarn, and textile exporters are hesitant to finalise new export orders, said Pakistan Apparel Forum Chairman Muhammad Jawed Bilwani.

According to a report of Pakistan Cotton Ginners Association (PCGA), only 4.02 million bales reached ginneries until November 15, 2020, which was extremely low as compared to 6.85 million bales in the same period of last year, showing a decrease of 41.27%. “The cotton crop is considered as white gold,” Bilwani said, adding, “However, the production of cotton is declining every year.”

The declining trend was not only inflicting damage to the country’s economy but was also affecting farmers and other people associated with the business, he said.

Major causes of the decline in cotton harvest are reduction in cultivation area and per acre production, low-quality seeds and shifting of farmers' focus towards other crops due to a lack of government support.

The apparel forum chairman was of the view that the crop shortfall had a devastating impact on textile exports and hence, the exporters sought attention of the government for taking immediate measures with a concrete policy in consultation with the value-added textile representatives.

The textile sector contributes around 54% to total exports, provides approximately 40% of urban employment, particularly to the female workforce, and is the largest foreign exchange earner.

"The government must immediately take notice of substandard cotton seeds being provided to farmers and strict action must be taken against suppliers as exporters consider the supply of substandard seeds an act that is against the interest of Pakistan," Bilwani said.

He emphasised that the government should allow import of cotton yarn without customs and regulatory duty under the current state of affairs as it had already permitted duty-free import of cotton.

"Pakistan should expand cultivation area to meet requirements of the value-added textile export industry," he said. "Textile exports cannot be enhanced unless cotton cultivation area is expanded."

Source: tribune.com.pk– Nov 19, 2020

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Pakistan: Onward submission to ECC: PM approves incentive-laden textile policy

Prime Minister Imran Khan has approved Textile Policy 2020-25 for onward submission to the Economic Coordination Committee (ECC) of the Cabinet, well-informed sources told Business Recorder.

According to the draft policy, the government will provide consistent, long-term policies for the foreseeable future, while undertaking following measures: (i) electricity will be provided at cents 9/kWh; (ii) RLNG at $6.5/MMBtu; (iii) system gas at Rs. 786/MMBtu during the policy period;

(iv) Long-Term Financing Facility (LTFF) and Export Financing Scheme (EFS) rates will not be changed; (iv) review of LTFF and refinance scheme for SMEs and indirect exporters and building cost will be included; and (v) Brand Development Fund will be launched.

The government will extend fiscal incentives of Rs 838 billion for five years. Of this, the impact of electricity at cents 9/kWh - all inclusive is estimated to be Rs 123 billion, RLNG - Rs 111 billion, DLTL for textiles and apparel products (garments/technical textile at 4 percent and made ups at 3 percent) - Rs 420 billion, LTFF to continue at 5 percent - Rs 75 billion and EFS to continue at 3 per cent - Rs 109 billion.

Realizing potential of value-addition in each segment of textiles and apparel supply-chain and inherited know-how of products and markets by private sector, the Commerce Ministry has decided to set the target of value added and textiles at $20.865 billion, of which $ 16.294 billion will be value added sector and $4.571 billion for textile sector by 2020-25.

Commerce Ministry claimed that targets set were ambitious and financial commitments of Rs. 188 billion and Rs. 65 billion respectively for first (2009-14) and second (2014-19) Textile Policies were made by the then Governments to achieve them. However, commitments were not fulfilled and timely payments were not doled out in financial support schemes. Further, funds were not allocated for public sector development under infrastructure, vocational training, productivity and compliance related programs.

The Textile Policy 2020-25 is aimed to address shortcomings in previous policies and multi-pronged strategy will be devised as following: (i) having strong resolve to fulfill the commitments, it is imperative to mention that present government disbursed Rs. 97 billion in pending liabilities of previous governments for last two years, while the previous two governments only disbursed Rs. 68 billion; (ii) market driven exchange rate is a great boost to increase exports and reduce imports; (iii) National Tariff Policy (NTP), working now under the domain of the Ministry of Commerce, is determined to rationalize the Textiles and Apparel value-chain; (iv) Pakistan has abundant labor force including women, and temporary importation schemes and re-export would help to increase value-added exports with (a) simplification and proposed bond to bond transfer to diversify product base; (b) availability of raw materials at competitive price to value-added exporters; (c) product diversification and; (d) improvement in fiber mix as cotton currently accounts for only 27% of the total fiber consumption in the world.

According to the draft Textile Policy, custom duty drawback rates will be revised. The Government is committed to revitalize Pakistan Textile City Limited and Karachi Garment City Limited. Mass level training program will be launched specially on industrial stitching and mostly for women. Marketing strategy will be reviewed. First ever E-Commerce policy is under implementation phase, and this will provide an open access to Textiles and Apparel manufacturers/exporters to tap available business opportunities across the globe. Amazon has already started registering Pakistan manufacturers and exporters including Textiles.

The draft policy states that due to high tariffs on value- added products, domestic manufacturers end up importing more MMF rather than fabric, while countries such as Vietnam and Cambodia import MMF fabric and export high value- added products. Tariff Rationalization is imperative to ensure equal distribution of profits and encourage industry for investment to improve productivity.

Furthermore, Pakistan is a major supplier of greige/semi-processed raw materials, hence, there is a need to make a shift towards value-added products i.e. garments, made ups and functional/technical textile products. Due to lack of state-of-the-art infrastructure facilities, industry has to invest on infrastructure related components, Captive Power Generation and effluent treatment plants. This needs to be covered through development of state-of-the- art Textiles and Garments Parks having status of Special Economic Zones (SEZ) to avail the benefits. This would also facilitate in defragmentation of textiles and apparel value-chain.

The foreign direct investment could not be attracted in Textiles and Apparel sector due to inconsistent policies including exchange rate, lack of infrastructure facilities and availability of energy at competitive rates. Challenge would be to restore confidence of international investors by implementation of Textiles Policy in letter and spirit.

Pakistan has recently been able to clinch a favorable deal in Pak-China Free Trade Agreement phase-II. Development of Gwadar Port and projects under China-Pakistan Economic Corridor (CPEC) will also provide a launching pad to attract investment in textiles and apparel value-chain.

The major issues of textiles and apparel value-chain relate to other ministries/organizations and few subjects have also been devolved to the provinces.

The better collaboration among various stakeholders (government ministries, organizations and provinces) is needed for proper implementation of Textiles Policy 2020-25. Moreover, Provinces are required to either offer additional benefits to manufacturers for investment in their respective provinces or at least provide them a conducive environment.

A looming challenge is Textiles and Apparel sector demand for the restoration of zero-rating regime, and release of delayed refund payments by the Government. This is crucial if exporters are to enhance capacities and production. Timely refund mechanism is essential to address liquidity crunch of the exporters, otherwise, the Government must restore the zero-rating regime.

One of the important reasons for not fully utilizing export potential in textiles and apparel value-chain is inconsistent policies especially in availability/pricing of energy and raw materials, taxation, refunds and regulatory regimes therefore (a) during Policy period, the Ministry of Commerce will ensure that energy pricing remain consistent, regionally competitive and rationalized among provinces; (b) deliberations would be made with provinces that additional facilitation may be given from their own resources to attract investment in their respective provinces and; (c) Government will automate refund mechanism, and continuously simplify the procedure to the satisfaction of SMEs.

Tariffs have been kept high to encourage investment in the upstream value-chain. Nevertheless, high tariffs encourage domestic sales and inefficiencies are induced in pricing. To encourage exports of value-added products and product diversification, the Ministry of Commerce will take following measures on priority: (i) tariff structure of entire textiles and apparel chain including MMF and cotton based value-chains will be rationalized on priority followed by accessories and dyes and chemicals;(ii) Customs Duty Drawback rates of textiles and apparel products will be reviewed taking into account additional customs duty and regulatory duties and ;(iii) simplification of temporary importation schemes in perspective of SMEs - the Ministry of Commerce will ensure common warehousing and include indirect exporters in temporary importation schemes.

Ministry of Commerce in consultation with SMEs and large-scale industry will review federal, provincial and other organization based taxes/cess and provide recommendations to the Government to rationalize them to reduce cost of manufacturing. Textiles and apparel machinery will be zero rated. Import tariffs of accessories, dyes and chemicals utilized by the textiles and apparel value-chain will be rationalized.

As Pakistan has been a net Cotton importer for long period, therefore, suppliers do not feel the need to improve the quality of Cotton. The Cotton trade is between buyer and supplier; however, Provinces will be encouraged to implement Cotton Control Act. Moreover, Cotton is a basic raw material, however, export of Cotton will be encouraged to improve quality and avoid any chance of depressed Cotton prices by the user industry.

Ministry of Commerce in consultation with the stakeholders will introduce quality /grading-based Cotton marketing mechanism. Ministry of Commerce will coordinate with the MNFSR to support farmers to reduce their cost of production and both Ministries will jointly endeavor to ensure quality inputs for cotton farmers. Ministry of Commerce will join hands with the MNFSR to increase cotton area, production and, importantly, yield. Further, scope of better cotton initiative will be increased to ensure bulk availability of BCI certified cotton to textiles and apparel value-chain.

Ginning needs immediate technology up-gradation and Provincial departments of Industries issuing the ginning licenses will be approached to link technology up-gradation of ginning sector with the licenses. Provinces will be approached to implement Cotton Control Act in true spirit. Further, the matter will be debated to convert ginning sector into service industry and policy solution will be identified. This would help the farmers to get fair price. Introduction of Hedge Trading will also facilitate in achieving this objective. Ministry of Commerce will enact Trade Resolution Act and strengthen Directorate General of Trade Resolution Organization (DGTRO) to address trade disputes between suppliers and buyers. Moreover, online portal will be established to register the trade complaints. Textile associations will also be involved to settle trade disputes.

Source: brecorder.com– Nov 20, 2020

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NATIONAL NEWS

GDP contraction likely to have narrowed to 9.5% in September quarter: Icra

The contraction in the country's Gross Domestic Product (GDP) may have narrowed to 9.5 per cent in the second quarter of the current fiscal from 23.9 per cent in the April-June quarter, says a report. The Central Statistics Office (CSO) will release the GDP data for the second quarter of FY21 on November 27. In a report on Thursday, rating agency Icra said the Year-on-Year (YoY) contraction in Indian GDP (at constant 2011-12 prices) is estimated to have narrowed appreciably to 9.5 per cent in Q2 FY2021 from 23.9 per cent in Q1 FY2021, as the economy recovered from the lows of the pandemic-induced lockdown.

It said the contraction in the Gross Value Added (GVA) at basic prices is expected to have moderated considerably to 8.5 per cent in the July-September quarter from 22.8 per cent in the previous three months. The ease in GVA would be led by industry to (-) 9.3 per cent from (-) 38.1 per cent, driven primarily by manufacturing and construction and services to (-) 10.2 per cent from (-) 20.6 per cent), it said. Icra's principal economist Aditi Nayar said a substantial recovery in manufacturing and construction is likely to underpin the expected improvement in the performance of the industrial GVA in the second quarter of the current fiscal.

Various sectors of manufacturing recorded an improvement in demand and volumes in the September quarter although the performance was admittedly uneven. In addition to the continued cost-cutting measures, the availability of raw material inventory that had been procured previously at subdued costs, supported the earnings of the manufacturing entities in the just-concluded quarter relative to Q1 FY2021. Nayar said the contraction in manufacturing GVA is expected to narrow considerably to around 10 per cent in Q2 FY2021 from 39.3 per cent in Q1 FY2021.

"Nevertheless, the extent of the recovery in the performance of the informal sectors in Q2 FY2021 remains unclear, and we caution that trends in the same may not get fully reflected in the GDP data, given the lack of adequate proxies to evaluate the less formal sectors," she said. Icra expects the contraction in construction GVA to narrow to around 12 per cent in the second quarter from the sharp 50.3 per cent in the first quarter of the current fiscal. It said the contraction in the GVA of trade, hotels, transport, communication and services related to broadcasting is estimated to have narrowed appreciably to nearly 25 per cent in the second quarter of FY21 from 47 per cent in the April-June quarter.

The rating agency also said the healthy pace of expansion of the government's spending in Q1 FY2021 had prevented an even sharper fall in the GDP in the lockdown quarter. With the expenditure management measures that have been put in place, the momentum reversed in Q2 FY2021, despite the fiscal stimulus that has been announced so far, it said.

"We fear that the shrinkage in government spending may have capped the pace of the economic recovery in Q2 FY2021," Nayar said. She expects the GVA growth of agriculture, forestry and fishing to be at 3 per cent in Q2 FY2021, driven by the healthy kharif harvest.

Source: financialexpress.com– Nov 19, 2020

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Why exports are the way forward for the Indian economy

A vibrant debate is currently underway in India, and indeed across several emerging markets, about the pace of recovery from COVID-19, the extent of any permanent damage, and the nature of the policy response. But soon a more important debate will be upon us.

What will drive growth in the post-COVID era?

With public sectors confronting a mountain of debt, the fiscal will need to be reined in post-COVID across several emerging markets.

Further, COVID is only likely to accentuate the prevailing export pessimism, as global potential growth is damaged and protectionist instincts are stoked.

In India's case, what will it take to lift potential growth back to 7 per cent?

"To say more reforms are required is tautological. Instead, the choice and sequencing of reforms will depend critically on the growth philosophy India embraces," writes Sajjid Z Chinoy, chief India economist at J.P. Morgan.

He refers to Arvind Panagariya's book India Unlimited: Reclaiming the Lost Glory (hereafter Reclaiming), to state: "It's tempting to believe India's size provides fertile ground for import substitution. But we've seen that movie before and know how it ends.

Of the many contributions, the book makes, perhaps the most significant is to underscore the necessity of export-led growth to India's prospects. Indeed, no emerging market has been able to sustain 7-8 per cent growth for any length of time without relying on the Siamese twins of exports and investment".

Global merchandise exports stood at almost $18 trillion in 2017 (more than six times India's GDP) with India commanding an export share of just 1.7 per cent (versus China's 12.8 per cent). Therefore, even if the global market shrinks to $15 trillion — an unlikely prospect — India could double its exports by raising its global market share to just 4 per cent. The opportunity is huge.

What about the challenge from automation?

For many labour-intensive tasks, automation is still infeasible. Adidas, for example, produces only 1 million of its 360 million pairs of shoes in automated factories.

"Reclaiming makes the often-forgotten case that the opportunity for labour-intensive manufacturing has not passed us by. In fact, the timing couldn't be more fortuitous," he states.

Chinese real wages are rising, the workforce is shrinking and the embattled relationship with the US appears more structural than cyclical.

"This is India's moment to integrate into the Asian supply chain by attracting multinational companies seeking a China hedge in the region," states Chinoy.

Source: indianexpress.com– Nov 19, 2020

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'Vivad se Vishwas' scheme: FinMin mops up over ₹72,000 crore

The Finance Ministry on Wednesday said that it managed to collect tax amounting to over ₹72,000 crore under the 'Vivad se Vishwas' scheme as on date. "A total of 45,855 declarations have been filed in Form 1 till November 17, 2020, and the disputed demand covered by these declarations amounts to ₹31,734 crore.

Also, the total disputed amount of CPSUs being settled under the scheme is ₹1,00,195 crore. So far, tax of ₹72,480 crore has been paid by the CPSUs and by taxpayers against the disputed demand under the scheme till date," a senior Ministry official said.

A review of the progress of the scheme was undertaken at a meeting on Wednesday. The scheme was launched on March 17, 2020 with the objective of reducing litigation.

It provides for settlement of disputed tax/interest/penalty/fees in relation to an assessment or a reassessment order on payment of 100 per cent of the disputed tax and 25 per cent of the disputed penalty/interest/fee.

The taxpayer is granted Immunity from levy of interest, penalty and institution of any proceeding for prosecution for any offence under the Income-tax Act in respect of matters covered in the declaration. According to officials, it has been decided to adopt a proactive approach for implementation of the Scheme by regular monitoring of issue of Form 3 to taxpayers who have filed declarations, completing any pending rectifications/ giving appeal effects for finalisation of demand, launching an e-campaign to inform taxpayers about the scheme, guiding and facilitating them in filing of declarations and removing any difficulties or problems faced by them in availing the scheme.

Consequent to declaration under the scheme and on fulfilment of conditions, all appeals are withdrawn (both by taxpayer and by department). In view of hardship being faced by taxpayers due to the pandemic situation of Covid-19, the deadline for filing of declarations under the scheme has been extended to December 31, 2020 and the deadline for payment without paying any interest and penalty has been extended to March 31, 2021.

Source: thehindubusinessline.com– Nov 19, 2020

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Time to step up carbon trading

Now is the opportunity for Indian companies to start looking to benefit from carbon offsets keenly, say experts. M Ramesh reports

The US coming back into the Paris Agreement under its new president is expected to bring in its own psychological heft into global climate action. But one is uncertain about its practical value — for two reasons. First, the Paris Agreement itself is going nowhere, with emissions falling far short of what they ought to be to meet the 2 degree C target. Second, even during the three years when the US government was absent, many corporate and sub-national entities in the country were always climate-active.

Still, the psychological heft is not without value. The presence of the superpower is likely to matter in completing the negotiations for framing rules to operationalise the agreement. A critical unfinished agenda is setting of rules under Article 6, which would establish a global market for carbon offsets. (You do something climate-smart, you get 'credits' in the form of market-tradeable instruments that you can sell to someone who couldn't do something climate-smart.)

Now is the time for Indian companies to start looking to benefit from carbon offsets keenly, say experts. "Prepare to engage internationally," says Mahua Acharya, an expert in green finance and carbon markets, now the head of Convergence Energy Service Ltd, a wholly-owned subsidiary of public sector company EESL.

India has had a not-so-good experience with carbon offsets in the past. Indian entities were issued 1.95 billion 'certified emission reductions', or CERs, under the Clean Development Mechanism of the Kyoto Protocol, and still have about 750 million unsold. These financial instruments were issued to renewable energy or energy saving projects and were to be purchased by developed countries (called Annexure-I countries under the Kyoto Protocol). But very little purchase happened. With no buyers (due to lack of enforcement), the price of carbon collapsed (from a peak of around $25 to a few cents). Indian companies, who expected a bounce-back in prices, have been left holding worthless paper.

And now, there is a debate as to whether or not these Kyoto Protocol CERs should be transitioned into the Paris Agreement, which would give fresh life to the instruments. By the looks of it, it won't.

Carbon markets of today

So, if you forget the past CERs as a bad dream, there is an emerging market for carbon offsets. There are three types of carbon markets that a proponent of a green project could avail itself of.

First is the 'compliance market', comprising largely sovereign entities that have committed themselves to reducing carbon dioxide emissions from their soil. They buy carbon offsets because it is cheaper to achieve the same mitigation effect than reducing their own emissions.

The second market is the 'voluntary market' comprising, largely, companies that have committed themselves to net zero emissions by a certain year. This is a vibrant market today, with more than 420 corporate buyers, and the number is growing.

The third is the 'pre-compliance market', which are again governments that want to buy up offsets speculatively, reasoning that when it becomes mandatory for governments to buy offsets, the prices would shoot up — it is cheaper to buy today. Switzerland, Sweden and Germany are examples.

Today, the most active is the 'voluntary market'. The volumes are record-high. Indore-based EnKing International, a company that trades in Indian offsets, sold more offsets in the last six months than it did in the previous ten years, the company's MD & CEO, Manish Dabkara, told BusinessLine. It sold 30 million tonnes worth of CO_2. EnKing's turnover just crossed the ₹100-crore mark; the company is mulling an IPO.

Now, all this may sound heartening, but really things are not great in the carbon markets today. Indian offsets sell for very little even today — something like 50-60 US cents a tonne of carbon.

Indian entities are making money, but not much, for example, the ₹50 lakh that Indore Municipal Corporation earned by selling the offsets it received by avoiding 1.7 lakh tonnes of CO_2.

A matter of time

Offsets generated by European projects earn around $25 per tonne of carbon. Korea market pays higher, around $35, but again the projects have to be located in Korea or should have Korean investments. Because of the local project preference, the market looks good on the surface — in 2019, the global carbon market grew 34 per cent to $214 billion. But there is not much on the table for Indian companies.

However, experts say it is only a matter of time before a thriving carbon market is established — simply because the world cannot do without it. There has to be an incentive for reducing greenhouse gas emissions; and a strong dis-incentive for producing them, either by way of a carbon tax (which is fixed, but sure-shot effective) or a mechanism for trading in carbon offsets (where the value of carbon is flexible.)

When Article 6 rules are framed, governments will become market participants. The 'compliance market', where the prices are good, will pick up. There is a universal agreement among experts that carbon prices should reach $100 per tonne of carbon for the world to reach its Paris climate goals. That is the market that India should prepare itself for.

Source: thehindubusinessline.com– Nov 17, 2020

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Cotton prices set to rise on drop in production

Agri experts suggest farmers to sell the fibre after January
Gujarat-based agriculture experts have recommended farmers to hold their cotton crop and sell it after January 2021, when the prices of the fibre are expected to rise.

Cotton prices currently hover at around ₹5,790 per quintal at the Rajkot mandi, which is below the minimum support price (MSP) of ₹5,825.

The agriculture research team of the Department of Agricultural Economics-Junagadh Agriculture University (JAU) has estimated range-bound price levels of ₹5,300-5,875 till January 2021.

However, post January, the agri experts have indicated that there will be multiple domestic and international factors that will lift prices.

MG Dhandhalya, Associate Research Scientist, Department of Agri Economics, JAU, in a note stated, "The cotton price which was ruling around ₹5,000 per quintal in December 2019 dropped to ₹4,250 in April, 2020. With exports gaining momentum from July onwards, the market revived and prices started to move above ₹5,300 in October. Prices are now expected to remain firm, owing to less production at world level."

For 2020-21 the cotton area in India is estimated at 129.57 lakh hectares and production as projected by the Centre's First Advance Estimates in September 2020, is at about 371 lakh bales.

But the torrential rains received in third week of October, have damaged the crop to a large extent. Also, Cotton Association of India has estimated an output of 356 lakh bales (360 lakh bales).

Price outlook

Indian cotton is currently the cheapest in the world and this has triggered new prospects for exporters.

"The price of kapas during November 2020 to January 2021 may remain in the range of ₹5,300-5,875 per quintal. Hence, farmers are suggested to take note of the above situation and store kapas and sell after January. Those farmers who cannot afford to store kapas, may sell at MSP, in CCI centres for the same," the JAU note stated.

Source: thehindubusinessline.com– Nov 18, 2020

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Why trade deals are the next logical step

The recent extensive reforms by the Modi govt will not pay off if India does not offer attractive trading arrangements for investors

The Minister's statement confirmed India watchers' worst fears about the world's fifth largest economy turning inwards. Reacting to the Regional Comprehensive Economic Partnership (RCEP) agreement signed by 15 Asia-Pacific countries on November 15, India's External Affairs Minister, S Jaishankar, gave a scathing assessment of trade agreements.

"In the name of openness we have allowed subsidised products and unfair production advantages from abroad to prevail," he said, adding that "the effect of past trade agreements has been to de-industrialise some sectors. The consequences of future ones would lock us into global commitments, many of them not to our advantage."

Then came the dreaded words. The government, he said, has decided to move away from trading arrangements towards an 'Aatmanirbhar Bharat'. It is true that India's experience with trade agreements has not been good. Most of the 15 free trade agreements (FTAs), many signed during the UPA government, have resulted in trade deficits. For instance, FTAs with Asean, Japan and South Korea have seen India's share of exports to these markets decline from 51 per cent to 46 per cent. Dumping and re-routing of merchandise in violation of the Rules of Origin norms have been causing lot of challenges for the domestic industry.

But does this mean India should turn its back on all bilateral and multilateral trade agreements? For India to become a $5 trillion economy rapidly, domestic demand alone will not suffice. Global demand (or exports) is critical. Leave alone additional demand. India will lose its present competitive advantage in exports if it does not strike trade deals as its competitors are actively pursuing them.

Take the case of Vietnam's recent FTA with the European Union (EU). Its textile exports into the EU from August 1 this year benefit from nil import duty whereas India suffers a 12-14 per cent tariff. Bangladesh has been eating into Indian textile exports to the EU and the US, taking advantage of its 'least developed country' status. Only an FTA with the EU and the US will offer Indian exporters a level-playing field to regain the volumes.

Far-reaching reforms

Avoiding trade agreements will also negate some of the far-reaching reforms that the Modi government has taken to revive the economy and make India a global manufacturing hub.

Last year, in October, the government cut corporate tax rates. The rate cut for manufacturing companies incorporated after October 2019 (and those that start manufacturing before March 2023) was particularly sharp — from 34 per cent to 17.01 per cent. It was done to capture a fair share of the global manufacturing capacity realignment triggered by the US-China trade war and a permanent change in their relationship from being 'co-operating rivals' to 'competing rivals'.

The government sees an opportunity here to make India a global manufacturing hub. But companies which are looking to de-risk their dependence on China will come to India only if they can export their products in the most competitive manner.

Here again Vietnam, which is competing with India for these capacities, offers a better deal as it has attractive trading arrangements with major economies. Not surprising that global players are already moving into Vietnam in a big way overlooking India.

The same logic holds good for the production-linked incentive scheme that the government has rolled out for 13 sectors at a cost of over ₹2 lakh crore. The policy not only aims to reduce India's import dependence in these sectors but also, over time, make India an export hub. Why will Apple set up its manufacturing unit in India if it cannot export the handsets at a low or a zero rate of duty to large markets?

The government, to attract foreign investments, has also reformed the foreign direct investment norms for defence production, contract manufacturing, apart from opening up space, atomic energy and commercial coal mining for the private sector.

For all these measures to deliver effectively, the global market access that India offers is key. Thus, the next logical step for the Modi government is not to turn its back on trade deals but embrace them.

Why FTAs have failed

It should start by looking into the reasons why existing FTAs have not worked. It has already taken an important step in plugging dumping and re-routing of merchandise imports by implementing CAROTAR — The Customs (Administration of Rules of Origin under Trade Agreements) Rules, 2020. The rules, which came into effect from September, seeks to weed out those who are trying to misuse the FTAs.

At the same time, the government should focus on negotiating FTAs with countries that have high potential to improve trade. According to a study, untapped export potential with the US, as a percentage of current exports, is 60 per cent. In the case of the EU, it is even higher at 90 per cent. The UK, post-Brexit, is another potential market to tap. All these countries are tough negotiators but it makes immense sense to work with them.

India’s talks with the EU for FTA remains stalled since 2013, after 16 rounds of talks, due to wide gap in the level of ambition. Today, the partners can’t even come to an agreement on what to discuss if talks resume. High value trade disputes (including Vodafone’s retrospective tax issues) have ensured that FTA talks with India will not be a priority for the UK after Brexit. Talks with the US is also on a slow pace.

It is time for India to think long term and look beyond the various vested interests that are holding back a deal. It is wine, auto, dairy and fishery in the case of the EU while it is pharma, agriculture and data security as regards the US.

It is the access to agriculture that is preventing a deal with Australia despite nine rounds of talks that extended over eight years. The government has to adopt a ‘give and take’ approach to make these deals happen, keeping in mind the long term interest of the country.

India may have had strong reasons to walk out of the RCEP deal but trade agreements cannot be completely wished away. The External Affairs Minister has used ‘Aatmanirbhar Bharat’ as a reason to move away from trade deals, but the question is: Will India achieve ‘Aatmanirbharta’ without them?

Source: thehindubusinessline.com– Nov 19, 2020

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Maharashtra cotton seed companies told to specify production tech of hybrid varieties on packs

The government of Maharashtra has directed the companies selling hybrid cotton seeds to specify in detail the technology used in production of seeds on the pack. Seed companies in Maharashtra and other cotton producing states have expressed displeasure at this decision.

Dilip Zende, director, quality control, Department of Agriculture, Maharashtra, told FE that the decision has been taken to empower farmers and give them the opportunity to bargain for better prices with dealers depending on the method of production used by companies. One of the methods is more expensive than others, and therefore, farmers should get the benefit.

From the next cotton season (Kharif 2021), seed companies will have to mention whether hybrid cotton seeds have been produced by the conventional emasculation method or the male sterility technique, he said. The emasculation method is much more expensive than the male sterility technique, Zende explained.

Indra Shekhar Singh, director (policy and outreach) of National Seed Association of India, said there is no clarity in how farmers will benefit by such a move. What advantage farmers will have by knowing that a particular packet of seeds has been produced by using a certain technology," he asked. The data which are being sought to be printed on the packets, are already with the government.

Source: financialexpress.com– Nov 19, 2020

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India expresses concern over EU's Green Deal, possible carbon taxes

New Delhi asks EU for more details, calls for legal analysis of deal

India, the US and a few other countries have expressed apprehensions over the European Green Deal and the impact of carbon border taxes that could be imposed on imports once the proposed Carbon Border Adjustment Mechanism (CBAM) is implemented. India has called for a legal analysis of the deal, a Geneva-based trade official said.

"As many as nine countries intervened and expressed their apprehensions in response to the EU's presentation on its Green Deal at the WTO's Committee on Trade and Environment meeting this week. New Delhi pointed out that a legal analysis of the Green Deal, including the carbon adjustment mechanism and the possible carbon taxes on imports, has to be carried out and its compatibility with WTO norms needs to be looked into," the official told BusinessLine.

Other countries that expressed their concerns include Canada, Colombia, Norway, Paraguay, the Russian Federation, Saudi Arabia and Turkey.

Reducing carbon leakage

The EU, in its presentation, said the Green Deal was important as it would lead the EU economy towards sustainability. It said that the arrangement would ensure mimimum risk of 'carbon leakage' when dealing with nations that did not share its ambitions on climate action, the official said.

Other countries that expressed their concerns include Canada, Colombia, Norway, Paraguay, the Russian Federation, Saudi Arabia and Turkey.

The proposed CBAM is one of the primary policy instruments of the Green Deal which seeks to put in place rules to make Europe climate-neutral by 2050. For this, greenhouse gases emissions have to be brought down to very low levels by 2030.

What is carbon leakage?

Countries are apprehensive that under the CBAM, the EU may impose carbon taxes on imports, beginning with energy-intensive sectors, in order to prevent 'carbon leakage'. According to the European Commission, carbon leakage refers to the situation that may occur if, for reasons of costs related to climate policies, businesses were to transfer production to other countries with lenient laxer emission constraints. The mechanism will aim to ensure that the price of imports reflect more accurately their carbon content, as per the EC's explanation, which also said that the precise design is to be finalised.

In its intervention at the WTO, India asked the EU to share details of the CBAM to know what exactly was being planned. New Delhi also pointed out that there could be possible issues of non-compliance with WTO rules and the matter required further scrutiny, the official added.

The EU said that it was trying to design the CBAM in a way that it is compliant with WTO rules and its trade obligations with other countries. The deliberations in the Committee on Trade and Environment will continue through this week.

Source: thehindubusinessline.com– Nov 19, 2020

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Post Covid-19, home products are in greater demand than they were earlier: Dipali Goenka of Welspun India

Welspun India is among the few textile companies that have weathered traditional challenges faced by the sector and emerged as one of the largest exporters of home textiles. It has recently ventured into the flooring business and has made its mark. Dipali Goenka, Joint Managing Director, Welspun India, spoke to BusinessLine on the way forward for the company.

Excerpts:

Is the operations cost going up after the outbreak of Covid-19?

Yes. The government had hiked the MSP (minimum support price) for cotton and this had pushed up prices by 3-5 per cent in the last two months, but it is still lower than last year, as demand during Covid-19 had gone down. We see cotton prices breaching ₹35,000 to ₹36,000 (a candy of 356 kg). The demand in China and Pakistan is very strong.

On the whole, we see cotton prices at about ₹40,000, which is below last year as well. Coal prices are also going up. We had also spent to protect our employees during Covid-19. Our WelCare facilities in Anjar conducted antibodies testing for 12,000 people. Despite all these, we would maintain EBITDA of about 21 per cent.

Have you been able to pass on this increase in cost to your customers?

Our retail prices are capped. We covered part of the cost increase by optimising our efficiencies. If cost increase sustains over three to six months, we go back to the customer and ask for price revision. If this is just a small seasonal change we leave it as it is. While the private label business is growing steadily, the portfolio business should register a growth of 20 per cent. Growth in the omni channel and e-commerce businesses have been very strong.

How do you expect growth this fiscal?

The Covid-19 pandemic has changed the consumption pattern. Home products are in greater demand than they were earlier. As more people are working from home, we are seeing more demand for hygiene products like towels and wet wipes. Retailers are also stocking more of these products in the Western world. We believe this will continue for six to 12 months.

Do you have any receivables from the government as part of the recent incentives announced?

There were some challenges due to delays in payments earlier. Government had not opened the portals for registering claims, but that has been sorted out. In fact, in August and September, we got approvals for a few claims. I don't think it is a concern any more. The government has announced a new regime on reimbursement of local taxes on exports from April, but we are awaiting details.

Has the backlash on China opened fresh opportunities for India in global markets?

All customers in the export market want to de-risk on the sourcing front. They are looking at India, China and an additional country for sourcing. Being the largest producer of cotton, India is right up there for international buyers. Our flooring business, such as bath rugs, carpets and hard flooring has seen a lot of upside in demand. The hard flooring is a $3-billion business globally. Being a vertically integrated company we see a lot of opportunities for us.

Has the slowdown in hospitality and travel sectors hit Welspun?

Not much. This segment accounts for about 5 per cent of our portfolio. But yes, the hospitality sector is struggling, and it is down by 30 per cent, but we see a few green shoots here. In the US, it was down to 47 per cent but they are reopening. It will take some time for this sector to recover.

Has demand in India recovered?

With digitisation and online transactions growing by leaps and bounds, we are seeing tremendous growth. For us, omni channel will drive sales. Besides modern trade, the traditional MBOs (multi brand outlets) constitute a large part of what we do in India. Tier-II and -III cities are seeing massive growth and that is where the aspiration for our brand is growing. However, we are not considering putting up our own stores.

Why you are keeping away from retail outlets?

We have our experimental outlet – Spaces – in Bandra (Mumbai), which will complement our virtual experience as well. Buyers can virtually visit Spaces and can buy products. So, we are not considering brick and mortar shops. We are working closely with our MBOs for branding. With the help of MBOs, we have about 3,000 stores for Spaces and 2,000 for Welspun that are pushing 'Har Ghar, Har Dukaan Welspun'.

Any plans to bring down your debt?

We want to cut our debt to about ₹2,400 crore or even lower by the end of this fiscal. We had repaid ₹582 crore so far this fiscal and reduced debt to ₹2,380 crore. We had announced expansion plans in our advanced textiles division which would require some additional capex, but we will keep the debt level as per our guidance of ₹2,400 crore.

Source: thehindubusinessline.com– Nov 13, 2020

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