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IBTEX No. 250 of 2020 November 21, 2020

US 74.16| EUR 87.93| GBP 98.53| JPY 0.71

NEWS CLIPPINGS

	NATIONAL NEWS
1	RCEP: Has Govt of India foreclosed its options of joining any FTA in the future?
2	Vocal for local: Concerned over low-grade imports, especially from China, govt firms up technical regulations
3	Analysis | What are Sri Lanka's prospects with RCEP sans India?
4	Labour Ministry proposes 12 working hours, higher than 8 hours/day in OSH Code passed by Parliament
5	Festive boost for apparel retailers
6	Garment exporters worried as Covid cases rise in US, Europe
7	Texpreneurs urged to share their achievements in #INDIAFORSURE platform
8	Cotton price reduced, farmers in debt trap

INTERNATIONAL NEWS

WTO sees trade rebound, but likely year-end slowdown

The World Trade Organization said on Friday global trade in goods had rebounded in the third quarter from COVID-19 lockdowns, but predicted a slowdown at the end of 2020.

The WTO said its goods trade barometer had risen to 100.7 points from a record low of 84.5 points in August, driven by a surge in export orders. A reading greater than 100 indicates above-trend growth.

“The latest reading indicates a strong rebound in trade in the third quarter as lockdowns were eased, but growth is likely to slow in the fourth quarter as pent-up demand is exhausted and inventory restocking is completed,” the WTO said.

The WTO said the outlook for trade was uncertain, with a second wave of COVID-19 infections leading to renewed lockdowns in Europe and North America that could trigger another round of business closures.

The WTO goods trade barometer is a composite of data, with indices on export orders and agricultural raw-material trade above medium-term trends, container shipping and automotive goods at trend and air freight and electronic components trade below.

The barometer is designed to anticipate turning points and gauge momentum in global trade growth within a few months, although the WTO said uncertainty meant it may be less reliable.

It cited higher-frequency data pointing to a stalled recovery of international flights and container shipping in October, but improved economic sentiment reflected by prices of copper futures and analysis of news reports. The latter showed an improvement in tone following announcements on effective vaccines in early November.

Source: reuters.com– Nov 20, 2020

HOME

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Global economic recovery to be back in 2021: PECC

A recent report by Singapore-based Pacific Economic Cooperation Council (PECC) said global economic recovery is set to be back next year as the world would contain the COVID-19 pandemic.

The recovery, however, would be uneven across countries and regions, the network of member committees composed of individuals and institutions dedicated to promoting cooperation across the Asia Pacific region said.

For trade, exports and imports figures are expected to fall by 8.6 per cent and 9.7 per cent respectively in 2020 but will rebound to 7.8 per cent and 9.2 per cent growth in 2021. However, this is unlikely to offset losses in the medium-term as the risk of protectionism and slowing trade growth have weighed in heavily on coincidence for a sustainable recovery, the report said.

“The economic outlook for the Asia-Pacific has improved somewhat in recent months, but recovery will be uneven and fragile as the global pandemic has deepened in some places.

Asia-Pacific economies are expected to shrink by about 3.1 per cent in 2020. Growth of 5 per cent is now expected next year which is then expected to decline towards 3.5 per cent in subsequent years,” the report said.

“While there is hope for a recovery in 2021, the risk of protectionism holds back investment in new jobs and innovation, it will be essential for the region to respond appropriately and decisively in order to restore condence for sustainable recovery,” according to PECC secretary general Eduardo Pedrosa.

As per the report, foreign direct investment (FDI) has also taken a hit and is expected to drop below $1 trillion for the first time since 2009. The impact of widespread lockdown, demand shock and policy uncertainty have affected both greenfield investment which has seen a 30 per cent drop, and cross-border mergers and acquisitions that fell by 21 per cent.

Prolonged shutdown of economic activities is likely to have a larger impact on emerging economies that are reliant on foreign investment for industrial activity and infrastructure development.

Source: fibre2fashion.com– Nov 20, 2020

HOME

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FDRA to Biden: Drop Punitive Tariffs and Join CPTPP

President-elect Joe Biden has yet to take office, but a key footwear trade group is already putting the industry's thorniest pain points firmly on his radar.

Matt Priest, president and CEO of the Footwear Distributors and Retailers of America (FDRA), has sent a letter to Biden urging action on two key items for the nation's footwear sector–removing 301 tariffs and re-entering the Trans-Pacific Partnership (TPP), now known as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

"We need these actions because American families are already paying tens of millions [of dollars] more than they should this year as a result of antiquated trade policies," Priest wrote.

Noting that FDRA represents more than 500 footwear companies and brands across the U.S., he said they depend on international trade to reach global markets and deliver more than 2.4 billion pairs of shoes to the U.S. market every year.

"The trade policy of the past four years created numerous challenges for our industry," Priest wrote. "We were hit particularly hard by the President's tariff actions because our industry already operates under extremely high and outdated tariffs first put in place in the 1930s."
While tariff rates assessed on imported consumer goods average just 1.9 percent, footwear tariffs average 12 percent and can reach rates up to 67 percent, he added.

"We were encouraged when Vice President-elect Harris highlighted the impact tariffs have on American consumers during the Vice Presidential Debate," Priest wrote to Biden. "In fact, for our industry, the highest tariff rates most often fall on lower-value shoes and children's shoes, raising costs for working class individuals and families on a product they have to buy as a necessity."

The Trump administration added to this tariff burden, which already totals nearly $3 billion a year, with new 301 tariffs on Chinese-made products, which resulted in "tremendous confusion, uncertainty, and added costs for U.S. footwear companies," he wrote.

"Businesses cannot move factories in a short timeframe to adjust to any new tariff burden," Priest wrote. "Those that were able to move some production to Vietnam now face a threat of potential tariffs on Vietnamese-made goods resulting from the administration's launch of a Section 301 investigation into Vietnam. Hitting American companies and their consumers with new taxes, in the form of import tariffs, is simply not the right approach."

He said to address these key trade issues with China, the U.S. should work with allies in the region and FDRA strongly supports re-entering the CPTPP.

"This agreement offers a critical strategic tool for U.S. leadership in the Asia-Pacific region and a way to drive change without imposing tariffs on U.S. companies," Priest wrote. "The agreement would create significant economic opportunities for U.S. businesses, farmers and consumers.

For the footwear industry, CPTPP would generate $6 billion in savings across the first decade of its implementation, which would mean consumer value, innovation and U.S. job creation. With the recent signing of the Regional Comprehensive Economic Partnership (RCEP) amongst China and 14 other nations, it is vitally important that the United States reasserts its leadership in the region to counteract China's influence. Joining the CPTPP would accomplish this goal."

Source: sourcingjournal.com - Nov 20, 2020

HOME

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USA: Port Bottlenecks Snarl Imports Flowing in for Holiday

Call it coronavirus clutter.

Among all the "not normal" aspects of society and business that have resulted from the pandemic, a glut of imported merchandise headed to traditional and online merchants ahead of the holiday season has created a bottleneck at major U.S. ports.

"A challenging spring was followed by a rapid increase in global demand," John Gilmore, director of Eastern region sales at Ocean Network Express (ONE), said on a webinar for the Apparel Importers Trade & Transportation Conference. "Depleted inventory from the initial halt to production and increased consumer demand has rebounded major dominant trade legs. Increased ad-hoc sailings, rates at unprecedented levels and charter rates are at their highest since 2011."

Gilmore said there are potential hurdles to come, including port labor and ocean crew issues, especially during the holiday period. Equipment shortages to meet the surging demand have the potential to be problematic, as does intermodal rail and truck congestion and availability. In addition, warehouses are said to be at capacity, he noted.

A coalition of trade organizations, including the American Apparel & Footwear Association, National Retail Federation (NRF) and Footwear Distributor & Retailers of American, wrote a letter this week to the Federal Maritime Commission (FMC) urging it to "explore all available powers and authority to immediately suspend detention and demurrage charges, which are being unfairly and unreasonably assessed in the Ports of Los Angeles and Long Beach, as well as the Port of New York & New Jersey by ocean carriers and marine terminals."

The group said its members have collectively paid more than $150 million in charges this year in the twin Southern California ports and the port of New York & New Jersey due to the "massive congestion created by record setting volumes, coupled with a shortage of both skilled labor and available chassis."

In Southern California, the "Pool of Pools" chassis agreement has been massively oversubscribed, the coalition said. leading to the biggest chassis shortage in the history of the San Pedro Bay port complex. Despite efforts by the shipping and trucking industry to promote more dual-transactions to allow chassis to be recycled during the pick-up and drop-off of containers, the ocean carriers have refused to provide advanced notification of empty receiving locations to allow truckers and marine terminals to partner on increasing dual-transactions throughout the port complex.

Chassis shortages have also reached critical mass at the Port of NY & NJ, where dwell times have nearly tripled in recent weeks, the letter said.

"The trucking community servicing the San Pedro Bay ports are working diligently to maintain cargo fluidity, however through no fault of the truckers or their customers, the hurdles to do so have become insurmountable and there looks to be no consideration or reprieve from the detention and demurrage charges that shippers and truckers cannot avoid," the coalition wrote.

"In the short term, we again ask for a suspension of these unreasonable detention and demurrage charges in the Ports of Los Angeles, Long Beach, and New York & New Jersey due to current conditions and the lack of adoption of the FMC interpretive rule guidelines, which would have helped mitigate these issues," the group added. "We would further ask that the commission review and disallow carriers from filing or collecting any surcharges for congestion, trucking or equipment for moving in and through these ports until they have made a constructive action to remedy the problems."

The most recent Global Port Tracker report, produced by the NRF and Hackett Associates, revealed that cargo imports experienced their busiest "peak season" on record this summer and fall, as retailers replenished inventories and stocked up for the holiday season.

"Peak season is the Super Bowl of the supply chain world each year, as retailers make sure they have enough merchandise on hand to satisfy demand during the holidays and this is the busiest we've ever seen," Jonathan Gold, vice president for supply chain and customs policy at NRF, said. "Part of this surge was fueled by restocking after retail sales rebounded this summer and part could be making sure there aren't shortages if we see panic buying again."

Some retailer and brands have reported port delays and congestion that are making them rethink shipping schedules.

"In terms of…disruptions at the port, you would think disruption for us equals supply," Ross Stores CEO Barbara Rentler said on a conference call with analysts. "So, what goes on in the first quarter, depending on how long the ports are jammed up, we might wind up even getting some spring supply earlier."

Tim Boyle, chairman, president and CEO of Columbia Sportswear, which gets most of its goods from Asia, said amid good early season wholesale sell-through and continued momentum in e-commerce, issues such as port congestion, logistics and partial shipping capacity constraints are straining fulfillment service levels industrywide.

"We're working closely with our third-party logistics providers and our customers in an effort to mitigate these risks," Boyle said.

Ernie Hermann, president and CEO of TJX Cos, added, "We continued to experience merchandise delivery delays due to continued bottlenecks in the supply chain."

U.S. ports covered by Global Port Tracker handled an estimated 8.1 million 20-Foot Equivalent Units (TEUs) from July through October, the peak shipping season when retailers rush to bring in merchandise for the winter holidays each year. That represents an increase of 6.1 percent over last year and beats the previous record of 7.7 million TEU set in 2018.

The peak season record includes a record 2.11 million TEU imported in September, a 12.5 percent year-over-year increase. October imports were estimated at 2 million TEU, up 6.5 percent year-over-year and the fourth-highest month on record. With most holiday merchandise already in the country, November was forecast to be down 0.2 percent to 1.7 million TEU.

The Port of Los Angeles processed 980,729 TEUs in October, an increase of 27.3 percent compared to October 2019 and eclipsing the previous record of 961,833 set in August. Propelled by replenishment of inventories and retailers preparing for upcoming holidays, October marked the busiest month in the port's 114-year history.

"With COVID-19 cases on the rise nationwide, the U.S. economic outlook remains uncertain," Port of Los Angeles executive director Gene Seroka said. "Volume swings like the one we are seeing are an outgrowth of this uncertainty."

The Port of Oakland reported October imports grew 10.4 percent compared to a year earlier. The port said total TEUs for October were 216,686, up 5.8 percent compared to October 2019.

The port attributed the jump in imports to the pandemic changing consumer spending habits. In turn, this is causing retailers to continue stocking up fearing a second wave of factory shutdowns.

"We're cautiously optimistic because our industry partners are pointing to continued strong import demand heading into 2021," Port of Oakland maritime director Bryan Brandes said.

Source: sourcingjournal.com- Nov 20, 2020

HOME

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Australian wool prices shift downwards this week

Prices shifted downwards on all types and descriptions at the Australian wool sales this week. The Eastern Market Indicator (EMI) weakened by 30ac or 2.5 per cent to close at 1159ac clean/kg. The USD EMI was similarly lower by 2.7 per cent or 24usc and closed at 845usc with little effect placed on USD prices due to the stable foreign exchange (forex) rates.

Super fine (18.5 micron and finer) merino fleece and skirting types were the most well sought of the selection but still fell away 10 to 20ac. The broader merino wools of 19 to 23 micron were more susceptible to the waning buyer interest and reductions of 35 to 45ac were recorded. Almost all crossbred wools were up to 50ac cheaper for the week. Cardings sold under somewhat more stable conditions with general losses of 15 to 25ac.

The relatively large quantity rostered to sell of over 40,000 bales failed to materialise once more and just over 36,000 bales eventually made their way in front of buyers. "The 10 per cent reduction in volume, plus the passed in rate of 20 per cent ultimately assisted the market to stabilize at the end of the week, but by then most buyers had prioritised a conservative purchasing mode to buy to price advantage rather than accumulation of inventory," Australian Wool Innovation (AWI) said in its commentary for sale week 21 of the current wool marketing season.

"The most notable change to buying this week was the stronger activity at auction by a large Chinese top maker. Strong support was evident from traders and other first stage manufacturers, but the final day had them all taking a back seat to that operator as they were dominant in their purchasing intent," the AWI commentary added.

"The quality of the offering is generally improving but a high percentage of sale lots are suffering from high pobM (position of break in the middle) readings which leads to higher calculated cvh (co-efficient of variation hauteur) tests. These wools when sold in abundance can be hard to place in standard orders even though all other attributes are acceptable," AWI said.

For the auctions next week, 41,500 bales are rostered for sale.

Source: fibre2fashion.com – Nov 20, 2020

HOME

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Bangladesh apparel exports decline 7 per cent in October

Apparel exports by Bangladesh declined 7.8 per cent year-on-year and 7 per cent month-on-month in October to $2.320 billion. As per a report by the CCF Group, exports of knitted apparels declined 2.2 per cent year-on-year and 0.8 per cent month-on-month to $1.34 billion and the export of woven apparels declined by 14.4 per cent year-on-year and 7.4 per cent month-on-month to $0.99 billion.

From January-October, Bangladesh's apparel exports declined by 19 per cent year-on-year to reach $ 22.38 billion, The export value of knitted apparels declined by 16.5 per cent to $ 11.5 billion and that of woven apparels declined by 21.5 per cent year-on-on-year to 10.87 billion

In October, Bangladesh's home textile exports declined by 69 per cent year-on-year and 28 per cent month-on-month to $102 million, Cumulative export volumes from January-October increased by 20.8 per cent month-on-month and 9 per cent year-on-year to $743 million.

Source: fashionatingworld.com – Nov 20, 2020

HOME

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Bangladesh: Denim Expert Limited Earns Accolade from the World Economic Forum

Bangladesh-based denim manufacturer and washing plant Denim Expert Limited has been named a “New Champion” by the World Economic Forum, the not-for-profit foundation that engages political, business, cultural and other leaders to shape global and industry agendas.

The World Economic Forum’s New Champions Awards recognizes excellence in sustainability, digital disruption and agile business governance, calling attention to business models, technologies and sustainable growth strategies that it finds necessary as the world prepares for the Fourth Industrial Revolution.

A member of the World Economic Forum, Denim Expert Ltd. was recognized as an honorable mention in the “excellence in sustainability” category for sustainable goals and targets in 2019 across several areas including reducing consumption of energy and water, CO2 emissions, and waste generation. The manufacturer was also lauded for its work to provide opportunities to transgender people and human-trafficking survivors.

Denim Expert Ltd. is the only apparel and textile company that received recognition on the list this year.

“I believe this recognition is an appreciation for the sustainable strides of the Bangladesh apparel industry as a whole,” said Mostafiz Uddin, Denim Expert Ltd. managing director and 2019 Rivet 50 honoree. “I am proud for [earning] this accolade for the country.”

The company has emerged as a leader in adopting sustainable protocols and guidelines, particularly in Bangladesh.

It was the first Bangladeshi manufacturer to join the Sustainable Apparel Coalition (SAC) and the first to become a contributor to ZDHC Foundation, which drives improvement in the management of textile chemicals globally.

Denim Expert Ltd. was also the first denim manufacturer from Bangladesh to join Fashion Industry Charter for Climate Action and the Ellen MacArthur Foundation’s Jeans Redesign initiative, which employs the principles of a circular economy to ensure positive impacts for the environment, society, and the health of those people working in the industry.

Source: sourcingjournal.com– Nov 20, 2020

HOME

****

Pakistan: Cotton import: which way from here?

On Wednesday, fortnightly domestic arrival report confirmed that production of even 6 million bales (of 170kg) of cotton shall be out of reach in the ongoing season. Later same evening, Pakistan Bureau of Statistics reported import of 1 million bales in 4MFY21, highest since FY08. The extent of shortfall suggests that import volume for the full fiscal may reach at par with domestic output, but final import tally will depend on a variable which remains mostly unknown.

The surge in import volume in recent months is driven as much by forecast of depressed domestic output as it was by spinners taking advantage of natural backwardation in international commodity markets, following imposition of global lockdown beginning March 2020. Between Mar-Aug, unit price of imported cotton averaged at a premium of 1.10 times to Cotlook 'A' Index, as buyers jumped at the opportunity to lock in future delivery contracts at lucrative rates.

Since then, unit prices of imports have once again converged with global spot prices, easing the growth momentum earlier seen in month-on-month import volume. The million-dollar question is whether demand for imported cotton has reached an inflection point beginning October 2020, or will be revisited by a growth spurt in coming months?

An easy explanation would be to appeal to the risk of second Covid wave subduing optimism for early recovery in apparel exports; and make a case for a wait-and-see proposition.

Afterall, market intelligence suggests that big textile houses – flushed with liquidity thanks to monetary stimulus by SBP – have already hedged their risk by going long on imported cotton contracts between May – Sep. Outlook on arrival of domestic cotton supply cannot get any worse either for the remainder of the ginning season.

Moreover, global spot prices have slowed down in recent days following release of revised forecast of global consumption in 2020-21 by USDA. This indicates growing uncertainty viz. early demand recovery for textile value-adds - especially in traditional exporting destinations located in the northern hemisphere. Thus, prudence would demand that spinners not risk incurring carrying costs by piling up inventory and take a 'loss in their profits'.

Except, there is a catch, and it is called domestic demand for clothing and home textiles. Recall that imposition of sales tax on domestic textile sales last year had faced the ire of textile lobbies, even as they insisted that domestic demand dwarfed in comparison to exports. A market sizing exercise by BR Research at the time had placed size of domestic textile sales at over Rs 1 trillion – nearly three-fifths of annual textile group exports. (For more, read: 'Textile's crocodile tears' by BR Research, 24 June, 2019)

As conflicting sources place cotton consumption by domestic spinning industry between a wildly varying range of 12 – 16 million bales, it stands to reason where the excess cotton supply (if any) is being consumed, especially as domestic yarn output has stagnated in recent years. Add to this calls for abolishment of custom and regulatory duties on cotton yarn import by the made-up textile segment, despite contraction in textile export volume in the post-Covid world. (For more, read 'What is Pakistan's cotton demand?' by BR Research, 12 Nov, 2020)

Faced with the second wave globally, a slowdown in textile exports will indeed be a dampener. Maybe some comfort can be taken in the fact that the resilience (or lack of it) of raw cotton import will finally help understand the demand-side dynamics of cotton, especially w.r.t consumption of textiles, domestically.

Source: brecorder.com– Nov 20, 2020

HOME

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Pakistan: PHMA urges government to abolish duties on import of cotton yarn

The Pakistan Hosiery Manufacturers and Exporters Association (PHMA) has demanded the government to abolish customs and regulatory duties on import of cotton yarn, as the apparel and home textile sectors in country's local market is facing shortage of basic raw material, which may lead to a drastic decline in overall textile exports.

PHMA zonal chairman Faisal Mehboob Sheikh and chief coordinator Adil Butt, in a joint statement issued here on Friday, observed that a huge export orders are available with the value-added knitwear industry but the exporters are unable to take orders due to unavailability of cotton yarn in the country on competitive prices.

Faisal Mehboob Sheikh asked the government to remove restriction from duty-free import of cotton yarn from all neighbouring countries to enable the exporters to compete the international market. He said that our value-added knitwear sector is reeling under immense pressure of high costs of doing business, rising utility rates and several other problems.

Faisal Mehboob Sheikh said that huge number of weaving industries has already closed down and this spiralling prices and unavailability of cotton yarn will crucify exports of value-added textile, which will lead to further closures of large number of export-oriented units. He called for implementing the vision of PM Imran Khan to simplify the export schemes, providing new incentives for the business community to help export industry keep abreast of latest developments and trends in the technology.

PHMA chief coordinator Adil Butt pointed out the severe cash flow crunch that has squeezed productivity resulting in reduced exports as billions of rupees are blocked and demanded of the government to release all stuck-up claims of exporters immediately.

Source: brecorder.com– Nov 21, 2020

HOME

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Pakistan: Govt seeks Chinese, US help on cotton seeds

Punjab government has decided to collaborate with agriculture researchers from China and the US to develop new seeds for cotton and other crops besides strengthening legislation to curb substandard seeds.

The decision was made in a three-hour meeting jointly chaired by Governor Chaudhry Muhammad Sarwar and Chief Minister Sardar Usman Buzdar at Governor House on Thursday. Federal Minister for Food Fakhr Imam, provincial ministers, Punjab chief secretary and representatives of the private sector also attended the meeting.

The participants discussed problems related to cotton seeds at length and proposed strict punishment to those who produced substandard seeds. It was decided that noted researchers from the US and China would be enlisted for collaboration with local experts to improve research quality.

The meeting decided to constitute a 10-member committee, headed by Punjab Minister Hussain Jahanian Gardezi, for coordination among researchers for promotion of quality research. The committee will meet every week and consult the governor and chief minister every fortnight to keep them updated about developments and take guidance on future strategy.

It was also decided that the government will take the private sector on board for promotion of research and development of quality cotton seed. A separate coordination committee of the federal government and officers concerned of Punjab will also be constituted.

Addressing the participants, Chief Minister Buzdar said the provincial government would use all available resources for development of new cotton seeds. Federal Minister Fakhr Imam said it was an important step of the provincial government to initiate joint efforts for development of new seeds.

Efforts should be made to produce more cotton in Pakistan than in India. Now that a committee of officers of the federal and Punjab governments has been formed, the matter will be expedited.

Source: tribune.com.pk– Nov 20, 2020

HOME

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NATIONAL NEWS

RCEP: Has Govt of India foreclosed its options of joining any FTA in the future?

Exactly a year after India had walked away from the negotiating table, the Regional Comprehensive Economic Partnership (RCEP) has become a reality. Fifteen countries in the East Asian region have forged the largest free trade agreement (FTA) ever, culminating eight years of arduous negotiations.

In 2019, total trade of RCEP members was $10 trillion, or about 28% of world trade, but as high as 44% of their trade flows was intra-RCEP. In other words, there was a strong rationale for the RCEP members for concluding this FTA, and now that the deal is done, East Asia is set to become even more integrated.

India had withdrawn from the negotiations, then at the final stages, with the prime minister indicating that India would not sign a deal that does not address its concerns. Among the several concerns that India had, were issues of tariff cuts, especially in respect of its imports from China and shifting of the base year for tariff cuts from 2014 to 2019, the threat of circumvention of rules of origin due to tariff differentials across RCEP members, exclusion from Most Favoured Nation (MFN) obligations in the chapter on investment and carving out of sensitive sectors from "Ratchet obligations" in the investment chapter. Besides, some of India's principal areas of interest, for instance, movement of natural persons under Mode 4 of services trade, never received the requisite importance from the other RCEP participating countries.

Over the past year, several RCEP members, including Japan and Australia, were keen to see India re-engaged through a series of interventions. The importance of India for the RCEP dynamics cannot be underestimated given, on the one hand, the potential market provided by 15% of the world's population, and the export-oriented nature of almost all RCEP members, on the other.

It is, therefore, hardly surprising that before they inked the deal, RCEP ministers adopted a declaration "acknowledging the strategic importance of India eventually becoming a party to the RCEP Agreement to create a region of even deeper and expanded value chains for the benefit of all people in the region and contribute further to the development of the global economy". The ministers extended three sets of "concessions" to India. First, the RCEP agreement would remain open for accession by India from the date of entry into force of the Agreement, which implies that if India decides to join the agreement on a later date, it will be treated as an original signatory of RCEP.

Secondly, RCEP signatory states will commence negotiations with India at any time once India submits a request in writing of its intention to accede to the RCEP Agreement and, finally, at any time prior to its accession to the Agreement, India may participate in RCEP meetings as an observer and in economic cooperation activities undertaken by the RCEP signatory states under the RCEP Agreement, on terms and conditions to be jointly decided upon by the RCEP signatory states. In other words, the door is open for India to join RCEP at the point of its choosing.

Although there has not been any official response from the government of India to the aforementioned overtures made by the RCEP ministers, it seems unlikely that India would accede to RCEP anytime soon. There are three reasons for this possibility. First, the concerns that India had raised during the negotiations have not been taken into consideration in the agreed text.

Secondly, the China-factor, which was the dominant theme underlying the opposition of domestic stakeholders to RCEP, has become even more significant following the border-standoff, and of course, the realisation of the government of India that the level of dependence on China is not desirable. And, finally, the government has adopted a series of measures during the past several months, including restrictions on investments from China and strengthening domestic value chains in several critical sectors that sit uneasily with the broad framework of RCEP.

Throughout the period of India's engagement with RCEP, there was considerable unease in India about the extent of tariff cuts that the countries participating in the negotiations were pushing for. Thus, while the RCEP participating countries were reaching an agreement on eliminating tariffs on 90% or more of traded products, the government of India was increasing the tariffs to meet the growing demands from the domestic stakeholders. Thus, India's average tariffs increased from just below 14% in 2017 to nearly 18% in 2019, and average tariffs on non-agricultural products increased from below 10.7% to over 14%. This was the first time that the trend of reducing border protection, which was initiated in the first half of the 2000s, was reversed.

A quick analysis of the tariff cuts agreed by RCEP members shows that they have remained loyal to their script. The major economies have promised to reduce their average tariffs to well below 5% within a decade of implementing the agreement, while the list of products excluded from tariff cuts constitute a small share of their traded products. There remains considerable doubt as to whether India could have participated in such an exercise at opening its market.

Atmanirbhar Abhiyan, the government's flagship programme for the revival of the manufacturing sector, stands in clear contradiction of the fundamental raison d'etre of all FTAs, especially a regional trade agreement like the RCEP, the foremost objective of which is to strengthen the regional value chains. Does this imply that the Government of India has foreclosed its options of joining any FTA in the future?

Source: financialexpress.com– Nov 20, 2020

HOME

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Vocal for local: Concerned over low-grade imports, especially from China, govt firms up technical regulations

Concerned over unabated imports of substandard products, especially from China, the government has firmed up technical regulations for 150 products, official sources told FE. Imports of these products were to the tune of $47 billion in FY19.

The move is part of the commerce and industry ministry's drive to harden a crackdown on imports of low-grade products by formulating standards for 371 key products, in the first phase, which encompassed imports of about $128 billion, or a fourth of the total purchases from overseas, in FY19.

The items in the current list of 150 products include consumer electronics, steel, heavy machinery, telecom goods, chemicals, pharmaceuticals, paper, rubber articles, glass, industrial machinery, some metal products, furniture, fertiliser, food and textiles.

However, keeping with the principle of free and fair trade and to ensure domestic consumers have access to quality products, both Indian manufacturers and foreign suppliers will have to conform to the same standard specifications.

While the move isn't Beijing-specific but it could hurt the neighbour the most, as China is the biggest supplier of cheap and low-grade products to India. The idea is not just to curtail substandard imports but to improve local output of quality products as well. This will, in turn, help boost exports and substitute imports, in sync with Prime Minister Narendra Modi's push for Atmanirbhar Bharat and the commerce ministry's renewed focus on free and fair trade strategy, according to one of the officials.

Already, the government has imposed 50 standards in the past year alone. These products include toys, electronic goods, air-conditioners, bicycle parts, chemicals, safety glass, pressure cooker, steel items and electrical items such as cable.

Since substandard products are usually imported at much cheaper rates, they not just pose risks to consumer health and environment but also hit domestic manufacturing because of the price competitiveness. Many countries, especially the big economies, therefore, subject their imports to rigorous technical standards and sanitary and phytosanitary measures.

India's latest move to develop technical specifications for products marks a shift in its approach to curb substandard products (Its earlier approach was to raise tariffs).

Analysts have said India seems to have taken a cue from major developed and developing nations that have effectively employed various non-tariff measures to target non-essential and substandard imports. For instance, the US has put in place as many as 8,453 non-tariff measures, followed by the EU (3,119), China (2,971), South Korea (1,929) and Japan (1,881), shows a commerce ministry analysis. In contrast, India has imposed only 504 of them.

Last December, in an inter-ministerial meeting chaired by commerce and industry minister Piyush Goyal, it was revealed that while most of India's key partners had built in elevated levels of non-tariff measures, only about 10% of New Delhi's imported products were subject to various standards; the rest remain unregulated even from basic safety and environment parametres.

Goyal had then asked the Bureau Of Indian Standards (BIS) to develop standards for over 4,500 products (HS lines), taking the total number of imported items where quality and other parameters would be in place to

5,000. Of these, regulations for 371 products were to be developed in war-footing, although the Covid-19 outbreak slowed down the process a tad.

India's imports rose by more than 10% year-on-year to $514 billion in FY19, although the purchases from overseas contracted by almost 8% in FY20 and close to 40% in the first half of the current fiscal, mirroring demand compression in the economy before and after the Covid-19 outbreak

Source: financialexpress.com– Nov 20, 2020

HOME

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Analysis | What are Sri Lanka's prospects with RCEP sans India?

While it is unclear if the Sri Lankan government is considering seeking RCEP membership, Colombo seems open to the idea.

Sri Lanka's growing emphasis on tapping the emerging Asian market would make the China-led Regional Cooperation Economic Partnership (RCEP) agreement seem an ideal forum to build trade ties in the region. But given the island nation's current economic challenges and India's decision to opt out of the formidable grouping, the road is far from easy for Sri Lanka, according to economists.

Few would dispute Sri Lanka's distinct advantage, thanks to its strategic location in the Indian Ocean, along one of the busiest shipping routes in the world. "We must develop the [southern] Hambantota and Colombo Ports together with the Airports to be a centre in the international commercial processes," Prime Minister and Finance Minister Mahinda Rajapaksa said on November 17, unveiling his government's maiden Budget. He also underscored his government's priority to swiftly developing the China-backed $1.4 billion Colombo Port City as a hub for international business and investment.

"I believe that our neighbouring India will be a powerful economy in the world in the next decade. I also believe China together with several other Asian countries will be amongst the five most powerful economies in the world," Mr. Rajapaksa said, of the "high growth Asian Market".

While he made no direct reference to the RCEP that was signed just days prior to his speech, his message reiterated the President Gotabaya Rajapaksa administration's stated trade vision, as well as former Prime Minister Ranil Wickremesinghe's passionate argument that Sri Lanka needed to turn more eastward in its economic and trade diplomacy. While it is unclear if the Sri Lankan government is considering seeking RCEP membership, Colombo seems open to the idea.

"In the current situation amid a global pandemic, no country can stick to an isolationist policy. Countries have to work together, putting aside their political differences. Sri Lanka is pro-trade and we will explore all multilateral arrangements including the RCEP to explore what they can offer," Tharaka Balasuriya, State Minister of Regional Co-operation, told The Hindu.

However, even if Sri Lanka were to make overtures or tap at the RCEP's door, "there may well be a queue," said Dushni Weerakoon, noted economist and Executive Director of the Colombo-based Institute of Policy Studies. "Given Sri Lanka's emphasis on Asia-centred trade, RCEP would seem a natural choice. But it is not that straightforward," she said, pointing to at least three main factors.

To start with, Sri Lanka's current trade policy "remains unclear". Following the coronavirus outbreak early this year, the government slapped significant import restrictions to conserve its draining foreign reserves. Moreover, the government's position on Free Trade Agreements (FTA) has not been consistent.

For instance, the proposed Economic and Technology Cooperation Agreement (ETCA) with India is "in limbo", while Colombo has expressed interest to revive FTA negotiations with China. "Had the Sri Lanka-India ETCA agreement been in place already, and had India also been part of RCEP, it would have made life a lot easier for Sri Lanka," Ms. Weerakoon noted.

The government is also re-examining the FTA signed with Singapore.
Further, while the U.S. and the EU are Sri Lanka's two largest export markets, India and China are the two biggest sources of imports, and Asian countries have largely engaged as sources of import, development financing and FDIs, she added, pointing to Sri Lanka's challenges in navigating a complex trade terrain.

Lessons for Sri Lanka

In terms of overall economic strategy, the RCEP offers lessons to Sri Lanka, according to Indrajit Coomaraswamy, renowned Sri Lankan economist and former Governor of the Central Bank of Sri Lanka. Colombo is seeking to diversify its export basket and markets by looking to expand trade with, among others, countries in the Asia-Pacific region.

"RCEP would make it more difficult for Sri Lanka to compete with the likes of Vietnam, Cambodia and Laos, not to mention the wealthier ASEAN countries, in the lucrative markets of China — unless a bilateral agreement is finalised quickly — Japan, South Korea as well as Australia and New Zealand," he said.

Further, if India was to eventually become a member of RCEP, there could be a boost to Sino-Indian economic relations within a rules- based framework that could potentially reduce bilateral tensions, in his view.

Sharing a broader reading of the development, Mr. Coomaraswamy observed that the immediate aftermath of the pandemic, marked by the disruption to global supply chains, led to a critique of globalization and a case was made for greater autarky.

"The age of hyper-globalisation with one hegemonic power has probably ended to be replaced by a more multipolar world. At the same time, RCEP demonstrates that the world is not retreating to a new era of fortress like inward looking economies. It is noteworthy that the 15 countries in what has been the most dynamic sub-region in the world have come together to drive growth, employment generation and higher incomes through increased integration of their economies on the back of reduced tariff," he said.

Source: thehindu.com– Nov 19, 2020

HOME

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Labour Ministry proposes 12 working hours, higher than 8 hours/day in OSH Code passed by Parliament

The Labour Ministry has proposed maximum 12 working hours in a day inclusive of intervals under the draft rules on Occupational Safety, Health and Working Conditions (OSH) Code 2020 passed earlier this year by Parliament.

However, the weekly working hours limit has been fixed at 48 hours (six days X eight hours, with one weekly off) under the draft rules notified on November 19, 2020.

This has drawn flak from many corners because the OSH Code passed by Parliament provides for maximum eight working hours in a day.

"This has been done keeping in mind the extreme climatic conditions across the country where work scheduled is spread through the day. Besides this will allow workers to earn more through overtime allowance," a senior labour ministry official told PTI.

The official further said, "We have made necessary provision in the draft rules so that all workers working beyond eight hours get overtime."
As per draft rules on OSH Code, in calculating overtime on any day, a fraction of an hour between 15-30 minutes shall be counted as 30 minutes.

At present, less than 30 minutes is not counted as overtime in the existing legal framework.

The draft rules say: "No worker shall be required or allowed to work in an establishment for more than 48 hours in any week. The period of work of a worker shall be so arranged that inclusive of his intervals for rest, shall not spread over for more than twelve hours in a day."

As per the draft, no worker will work for more than five hours before he has had an interval for rest of at least half an hour.

Rules also provide that the working hours in a day can be modified subject to weekly cap of 48 hours.

The OSH Code as passed by Parliament says: "No worker shall be required or allowed to work, in any establishment or class of establishment for more than eight hours in a day and the period of work in each day under clause (a) (eight hours) shall be so fixed, as not to exceed such hours, with such intervals and spread overs , as may be notified by the appropriate Government."

Source: financialexpress.com– Nov 20, 2020

HOME

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Festive boost for apparel retailers

India's top apparel retailers clocked 60-90% of last year's festive season sales this year, with shoppers buying ethnic wear, children's clothing, and winter and occasion wear from stores.

Arvind Fashions, V-Mart, Spykar and Biba said pent-up demand during this year's longer-than-usual festive season, followed by weddings and the onset of winters in north India, helped apparel retailers do brisk business after months of struggle to get shoppers back into their stores.

"Festive season was good—we had looked at 75-80%, but we are more towards 85-90% of last year's levels. It was a good sign," said J. Suresh, managing director and chief executive, Arvind Fashions, which retail brands such as US Polo Association, Arrow, Tommy Hilfiger, Calvin Klein, Flying Machine, Unlimited and Sephora in India. Though festive sales beat internal estimates, it was lower than a year earlier.

"Consumption patterns have changed significantly due to covid-19 but during the festive season things have improved slowly. We have witnessed a spike in sales—online is doing quite well, while physical stores have seen reduced footfall.

Business for us was at 60-65% (compared to last year), though regions, such as parts of West India, Bengaluru and Chennai, are quite low in sales," said Siddharth Bindra, managing director, Biba India, which sells ethnic wear. The festivities aided demand for semi-formal and formal Indian wear after months of selling casual and work-from-home clothing.

Most shoppers, however, bought 'need-based' products and stayed away from discretionary purchases. "People have not really shopped for a while, and Diwali also generates a need for newer clothing. So it's definitely need-based shopping," said Suresh.

Value retailer V-Mart said its festive season sales was 70-80% compared to the year-ago period. "October was a little colder compared to last year—we had a good winter upswing in sales. If we see the duration between Durga Puja and Diwali, sales improved month-on-month, but it will take some more time for business to normalize," Lalit Agarwal, CMD, V-Mart Retail said.

Footfall at Spykar's stores were at 60% compared to last year, and sales were on a par with last year, led by markets in Gujarat, Maharashtra and parts of the Hindi belt. "We are 100-103% of what we did last year at this time. In many cases, we were even 50% better than last year's numbers. Some markets, such as Bombay and Delhi, are however not keeping pace with the rest of India," said Sanjay Vakharia, CEO, Spykar Lifestyles Pvt. Ltd. The ticket size was larger as Spykar incentivizing purchases, he added.

However, for the full year, retailers expect to report a significant decline in overall sales compared to the previous year.

Source: livemint.com– Nov 20, 2020

HOME

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Garment exporters worried as Covid cases rise in US, Europe

Uncertainty is looming over readymade garment exporters in the northern region as the second wave of Covid has forced many European countries to impose the lockdown again.

The European Union accounts for around 30% of India's garments exports. Overall, India's garment exports dropped 4% year-on-year in FY20 to $15.5 billion.

According to the exporters, countries such as France, Germany and the UK have already imposed the lockdown again and they apprehend if the situation worsens many countries would follow the suit.

The exports had started showing signs of revival with the expectations of a surge in foreign orders before the Christmas after a slump amid the pandemic. However, they are staring at losses again as the second wave of Covid has hit the US and Europe.

“Amid the pandemic, the exports nosedived by 90% in April and 63% in May this year. Similarly, it was in negative territory in June and July also. If the lockdown is imposed in European countries again, we will suffer huge losses,” said Harish Dua, MD, KG Exports, Ludhiana.

India exported garments worth $1.45 billion in the quarter ending June 2020 as against $4.17 billion in the corresponding period last year.

Tamil Nadu is India’s biggest apparel exporter, followed by Maharashtra, Delhi, Karnataka and Punjab. These five states account for over 92% of apparel exports. The major exporting countries are the US, the EU (Germany, France, Belgium, Spain, and the Netherlands), the UK, and the UAE. These four markets import 75% of apparels from India.

In North, Ludhiana contributes around 10% to the total exports from the country and caters to 30% of the domestic demand. Besides Ludhiana, major apparel hubs in the region are Jalandhar, Panipat, Gurugram and Noida. Apparel clusters in Punjab, Haryana and Uttar Pradesh employ over two million workers. Around 200 textile exporters are based in Punjab and Haryana alone.

Source: tribuneindia.com– Nov 20, 2020

HOME

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Texpreneurs urged to share their achievements in #INDIAFORSURE platform

Indian Texpreneurs’ Federation (ITF) has appealed to the entrepreneurs in the textile value chain to share their achievements in the just-launched #INDIAFORSURE platform.

“Entrepreneurs can share their achievements with a focus on SURE (Stable, sUstainable, Reliable and Ethical)” said Prabhu Dhamodharan, Convenor, ITF, adding “and the information would be shared on leading social media platforms like LinkedIn, Twitter, Facebook and Instagram”.

On the need for such an exercise, he said “textile entrepreneurs and clusters need a strong platform to connect with a global audience. Fashion brands and international buyers have started to evince interest in sourcing fashion goods from India. This, therefore, would be the right time to establish the platform and showcase our manufacturing capability with SURE as a base.” It may be recalled that ITF had about three months back launched the “India for SURE” initiative. This work is in progress.

The textile and apparel sector in India is highly diversified. The industry has strength across the textile value chain from fibre, yarn, fabric, home textiles to apparels.

ITF envisions to showcase the achievements, stories of change through this platform. “Our members have shared their achievements. We are appealing to textile entrepreneurs across the country to share their journey and special achievements. This would provide an opportunity to cross learn for many others in the industry,” he said.

Source: thehindubusinessline.com– Nov 20, 2020

HOME

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Cotton price reduced, farmers in debt trap

Heavy rains in Oct. damaged crops; staple size less than normal

The unprecedented rains in October this year adversely impacted cotton cultivation. Not only was the crop damaged but the staple size got reduced, thereby forcing officials to reduce the price promised to farmers.

The Cotton Corporation of India (CCI) has been offering ₹5,825 per quintal if Bunny Brahma Mode staple size is between 29.5 and 30.5 mm. However, due to heavy rains, the staple size remained below 29.5 mm, the standard size preferred by officials.

And as majority of farmers produced cotton with staple size less than 29.5 mm, the officials have written to higher authorities for an offer price of ₹5,775 per quintal, a cut of ₹50.

Cotton is being procured at ₹5,825 per quintal for 8% moisture followed by reducing it by ₹57.75 for each percentage of more moisture content from 9 to 12%. Officials will not purchase cotton if the produce has more than 12% moisture. Farmers are being advised to dry the cotton before bringing it to ginning mills or procurement centres.

“Due to the rains, we are getting incomplete cotton balls and yellow coloured cotton, which are being rejected, but otherwise the CCI officials are liberally accepting cotton as the farmers had already incurred huge losses. Now, the cotton grown has become normal and the moisture content has been reduced,” said K. Amaralingeswara Rao, a marketing official.

However, some farmers said that their produce was not being taken immediately and they are being forced to wait for several hours.

In some cases, traders, who had already invested in the cotton crop in the form of seed, fertilizers and pesticides, are offering less price to farmers.

“Those who need money immediately, are selling cotton at a low price. As a result, several farmers are in debt trap,” said T. Prauthvi Raj, president, Manjeera Rythu Sangham.

Source: thehindu.com– Nov 21, 2020

HOME

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