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INTERNATIONAL NEWS

China's apparel sector stages faster recovery than other countries: USDA

Recent trade data from the HS Code reveals COVID-19's impact and signs of recovery in the sector, says a USDA report. According to this report, China's recovery has been fastest among all countries.

However, the speed of recovery in consumer demand is uncertain, and the impact of working remotely is not known.

In April and May, global apparel imports dropped dramatically with US imports dropping 55 per cent in May. Imports by EU and UK dropped over 40 per cent while imports by Japan declined 30 per cent during the same period.

This decline in textile and garment exports was noticed across all major markets, Exports by Bangladesh and India fell by 85 and 90 per cent respectively, while shipments from Pakistan, Turkey, and the European Union declined by 60 per cent.

The impact of COVID-19 hit both demand and supply at the same time. Lockdown restrictions slowed consumer spending while also halting cotton-related processing.

Spinning mills' operating rates in India, Pakistan, and the United States fell over 90 percent, while declines were slightly lower in China. Similar to the export data, Vietnam's operating rate declined by only 30 percent.

Source: fashionatingworld.com– Nov 25, 2020

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Emerging pattern of global trade

Global trade is passing through an unpredictable phase in its long cherished journey. In March 2018, the unilateral announcement by the US about imposing an uniform 25% duty on all imports of steel and 10% on imports of aluminium under security violations, primarily targeting China, shot a death knell to rule-based multilateral trade propounded by WTO.

The origin of the bickering dated a few years ago when it was found that vulnerability of the US manufacturing was fast approaching the danger limits on account of massive flow of cheap imports from China, whose trade surplus with the US already reached a menacingly high level. The Trans-Pacific-Partnership treaty was becoming another soft option of opening up the US borders, the largest market among the participating countries, and therefore withdrawal of the US was another attempt to revitalise the domestic economy.

It is an undisputable truth that proliferation of regional treaties weakened the base for multilateral trade, although in WTO parlance, the same was hailed as strengthening the global trade between like-minded nations. The Regional Cooperation of Economic Partnership (RCEP), the ASEAN version of regional trade extended to cover the Asia Pacific along with Japan, South Korea and China, was another example of a different rule-based 14 or 15 countries' cooperative venture signed in November'20 and India opted out of it.

India had undergone one of the stiffest challenges in trade treaties by signing FTAs with South Korea and Japan. Indian steel industry literally bled when imports of HRC, plates, CRC, GP from these two countries, enjoying a progressively declining tariff rate, flooded the domestic market.

The rule-based model of WTO saved the industry from the enormous level of injury suffered by getting anti-dumping and safeguard duties imposed. The same applied to the cheap imports from China.

Under the Comprehensive Economic Partnership Agreement between India and South Korea, while Indian imports from Korea doubled to $16 billion in FY19, the exports from India only increased marginally.

This is the story for the last 10 years and puts capabilities of Indian industry and service sectors in poor light. There are views on the missed opportunities by India by being out of RCEP. There are even arguments in favour of enhancing the regional local content under rules of origin of the traded products. However, the concern of the domestic industry was well articulated by the decision of the government based on the FTA experience.

China has called upon its coal importers to ban all imports from Australia. This has led to a firming up of domestic coal prices in China, while Australia is looking for alternate buyers. This is the price the country is paying for supporting a US enquiry on the origin of Covid in China. Is RCEP going to take note of all these trading issues?

China’s Belt and Road Initiative project across a number of countries is not progressing much as some of the countries have realised it as an attempt by China to control and manage the infrastructure assets and are therefore refusing to accept the credit offers from China either as loan or aid. This has left China, it is argued, to adopt alternative channels like RCEP to take control of the partner countries looking for easy finance.

In the midst of all these, the relevance of WTO in navigating the global trade is being seriously debated.

A bold and comprehensive reform in WTO working and approach is suggested to regain its premier role. Recent events, however, are not encouraging. The US has already delayed the selection of chairman of the Dispute Settlement Body in WTO. This is the body that gave credence to the special and differential treatment to the developing economies, who questioned the decisions of the stronger partner in many trade cases.

The retaliatory tariff measures adopted by EU (the country-wise quota and tariff rules) to restrict imports more than the average level of last three years further confined the borders of multilateral trade.

Long back the United Nation Organisation (UNO), formed for the purpose of strengthening international cooperation among the nations, is hardly recommended currently to mediate in any of the regional conflicts. WTO not being able to select a new president for the last few months, is currently engaged in taking opinions from the members about the way forward for WTO in the post Covid scenario.

Thus although the Goods Trade Barometer's current reading of more than 100 marks shows resilience in trade amid the Covid concerns, the global trade continues to be uncertain. The free movement of goods and services to meet the genuine gap in domestic availability cannot be ensured.

On the other hand, the capacity building in domestic manufacturing is frowned upon on grounds of inward looking and protectionist policies, hampering the cause of bilateral trade. There is a need for intense circumspection before we sign any comprehensive trade agreement that may run counter to our own policy of reviving Indian manufacturing sector to reach the international standard.

Source: financialexpress.com - Nov 25, 2020

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Pakistan: PM orders full support for textile sector to meet massive rise in demand

Prime Minister Imran Khan Wednesday directed the ministries concerned to extend full support to textile sector, witnessing a massive rise in demand and export orders even beyond their current capacity.

As per reports, the Faisalabad textile industry had seen a tremendous increase in textile orders and faced shortage of 700 million meters fabric to meet received orders from local and international markets, despite 24-hours industrial operations.

“As the Faisalabad textile industry sees a massive rise in demand and export orders, I have instructed the Commerce & Industries Ministries to ensure all necessary support to the textile sector to enable them to meet their growing demands,” the prime minister said on Twitter.

He said the textile sector was one of the positive developments in Pakistan's economy despite COVID-19.

Source: nation.com.pk– Nov 25, 2020

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Why Pakistan's textile sector needs a helping hand

While the textile sector continues to be an export cash cow for Pakistan, the national share in the global textile trade has experienced an incessant contraction. This paradox is evidenced by the fact that the textile sector has limped behind Bangladesh, India, China, and Vietnam in the wake of various bottlenecks, including an overvalued rupee and exorbitant power tariffs.

The former was addressed when the currency could not sustain its artificially uplifted value. However, the cost of electricity remained elevated. For instance, the local textile players were coerced to consume electricity at 11.5 cents per kWh at the start of the year when the same was available at 7.5 cents per kWh in China, 9 cents per kWh in Bangladesh, and 8 cents per kWh in both Vietnam and India. This made it onerous for them to compete for market share against these counterparts.

The odds were swayed so badly in favour of others that the government had to withdraw surcharges in February. This culminated in the provision of electricity at 7.5 cents per kWh for the sector until it was increased to 9 cents per kWh in September. The tariff is again costlier than what the exporters in other countries pay. It amplifies the industry's woes that had already been limited to operating in off-peak hours because of further high peak hour's rate.

Amidst this storm, the incumbents promulgated a relief package for all industries. The government calls it an economic masterstroke that will foster productivity and employment. In that case, the package must effectively reduce the energy burden on manufacturing units of the country's prime export, textile. Let us find out if this assumption is valid.

At this time, Pakistan is savouring a heap of international textile orders due to an economic head-start. Besides, many textile orders from America are being rerouted to Pakistan due to the excessive duties levied on imports from China.

Thus, the exporters will look to fetch new orders and operate double shifts. The energy cost for the shift during off-peak hours remains the same. However, the quashing of additional electricity tariffs across the board during peak hours means that the second shift will prove propitious.

Therefore, in this shift, the cost charged per kWh will incorporate 50% and 25% concessions for small and medium enterprises (SMEs) and large-scale manufacturing (LSM) respectively. The effective tariff will now be 6.75 cents per kWh for SMEs and 7.875 cents per kWh for LSM (assuming both the shifts have identical working hours). According to a report titled “Pakistan in the Apparel Global Value Chain”, published by the World Bank and Duke Value Chains Centre, SMEs only contribute roughly 10% to Pakistan’s textile industry. When we take this composition into account, the effective average tariff for the sector becomes 7.76 cents or Rs. 12.4 per kWh ($1 = Rs. 160).

Hence, the package invigorates the industry by reducing the tariff borne by exporters by 13.7%. It provides a level-playing field in the post-lockdown global trade dynamics where tariffs in the region range from 7 to 9 cents per kWh. Besides, it offers a greater relief to SMEs, which is a rarity in Pakistan since only the industrial giants have previously been able to extract benefits from rebates and subsidies.

The textile sector grew by 8.42% in October compared to September 2020 and by 6.2% on a year-on-year basis. Now is the time to gain more ground so that the exports back at the pre-Covid level witness a further upturn. The resumption of a 50% tariff discount on incremental power consumption extended to SMEs is subject to review in June next year, but the SMEs will still be able to avail 25% markdown for a further two years, even if the government decides against a renewal.

Likewise, the government seems reluctant to augment the power tariff any time soon in the wake of an exacerbated political atmosphere and inflated food prices. How long it can resist the direction of the International Monetary Fund (IMF) in this regard is yet to be seen.

However, the favourable returns of the package will be limited until the government reduces customs and regulatory duties on imported cotton yarn and machinery. The duties on imported yarn have caused a profound shortage in raw material of late.

Pakistan has become reliant on imported cotton yarn primarily due to a reduction in cotton production locally. On the flip side, duties on machinery curtail the industry from ameliorating productivity levels. The industries and finance ministries must mull upon demanded automation, relaxation of duties, simplification of tax laws, and amendment of rules to further facilitate the sector.

Source: tribune.com.pk– Nov 25, 2020

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Bangladesh opposes Indonesia's move to slap safeguard duty

Bangladesh has opposed Indonesia's move to impose a safeguard duty on apparel shipments to the country as such a measure would be inconsistent with the provisions of global agreements on safeguards, tariffs and trade.

The Bangladesh Trade and Tariff Commission (BTTC) and the Bangladesh Garment Manufacturers & Exporters Association (BGMEA) shared their arguments and observations on the matter during a recent hearing conducted by the Indonesian Safeguards Committee (KPPI).

The hearing took place on November 20, more than one-and-a-half months after the KPPI initiated an investigation into the viability of a safeguard duty following a request from the Indonesia Textile Association against the import of apparels.

The event was organised to give apparel exporting nations an opportunity to present their views on the proposed safeguard duty. Bangladesh fetched about $30 million from apparel exports to Indonesia in fiscal 2018-19.

So, levying a safeguard duty would hurt the shipment of garments, which is the country's main export item, according to the BTTC and BGMEA observations. Nearly 40 lakh workers, mainly women, are employed by the apparel sector.

In its submission on behalf of the government, the BTTC cited the provisions in the General Agreements on Tariffs and Trade (GATT) and the World Trade Organization (WTO) Agreement on Safeguard to explain that imposing such protective measures does not fulfil the conditions set in the related treaties.

"Therefore, resorting to safeguard measures is unwarranted," said BTTC Member Mostafa Abid Khan.

The WTO agreements provide its members with the scope to take safeguard actions, such as temporarily restricting the imports of a product to protect a specific domestic industry from any potential threat, according to the WTO.

Such measures, which in broad terms take the form of the suspension of concessions or obligations, can consist of quantitative import restrictions or duty increases to higher than bound rates, said the organisation. The Indonesian authority initiated an investigation into its apparel imports for the period between 2017 and 2019.

The BTTC said it made an effort to determine whether apparels were exported to Indonesia in increased quantities, absolute or relative terms to domestic production along with the trends in the rates and amounts of increase in imports, during the period.

It then said the number of garments shipped dropped in 2019 compared to the previous year and that the downward trend was going to continue this year. Therefore, the upward trend in the cost and amount of the products under investigation does not satisfy the conditions outlined in the WTO Agreements on Safeguard, the BTTC said.

The BTTC also said Indonesia cut its tariff rates in line with free trade agreements with countries such as China. It said due to a 10 per cent reduction in tariff for China, imports from the country would likely increase.

"This is actually what happened," the BTTC added.

Therefore, the commission said, it may be deduced that an increase in the import of the product shown in the petition is not a result of any unforeseen development, a prime prerequisite of taking safeguard action as per the global trade agreement.

The BGMEA said the claim in the petition filed by the Indonesian Textiles Association, regarding the decline in production, did not match data from the large and medium manufacturing industries or micro and small manufacturing industries that produced apparels for the same period.

Indices clearly show the production of micro, small, medium and large manufacturing industries maintained a positive growth between 2017 and 2019, according to the BGMEA.

While the petition was lodged on the grounds of injury to the domestic industry, Indonesia's apparel export has also been confronted with losing competitiveness, said the BGMEA.

It cited falling exports of apparel and increasing producers' prices, unit prices and the rising minimum wage in the southeast Asian nation.

"Since all the data related to price and wages are suggesting that Indonesia's apparel industry may be suffering from erosion in competitive advantage, the temporary safeguard measure is neither appropriate as per the agreement on safeguards, nor is it sufficient to protect the local industry."

The trade body also cited the trade imbalance between Bangladesh and Indonesia, showing that it favours the latter. Bangladesh brought over $1.94 billion worth of goods from the southeast Asian country and exported that of $57 million in the fiscal year of 2018-19.

Of the garment items, Dhaka imported $187 million worth of textile articles and shipped $30 million worth of apparels. "The import of textile by Bangladesh, which goes to the production of export-oriented garments, is allowed to enter duty-free here," said BGMEA President Rubana Huq.

In its submission, the BGMEA cited that Bangladesh's apparel items face duties as high as 25 per cent to enter Indonesian markets while Chinese products get duty benefits.

Indonesia's local industry might be facing the impact because of the zero-tariff access in favour of giants like China and Vietnam.

Therefore, imposing additional duty would simply harm Bangladesh, said Huq.

Source: thedailystar.net– Nov 26, 2020

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Bangladesh: Cotton import marks 13.4 pc minus growth

Md Joynal Adedin Khan: Country's cotton import witnessed a drastic fall mainly due to supply chain disruption concentrating the virus pandemic. As Bangladesh is highly depends on imported cotton for its apparel production, such import is posing severe threat to boost the export growth.

Industry insiders said that cotton imports witnessed a slump for the first time in over a decade last fiscal year due to a fall in demand from local mills amid a stunning drop in apparel work orders for virus pandemic. The cotton imports were on the rise up until February this year for higher demand for yarn and other fabrics from garment exporters.

In fiscal 2019-20, Bangladesh imported 7.1 million bales of cotton which is 13.4 per cent from a year earlier, according to data from the Bangladesh Textile Mills Association (BTMA). However, most of the spinning and weaving mills were also shuttered during the March-June period. When the nationwide lockdown eventually came to an end on May 30, most mills resumed operations with previous stocks of cotton rather than importing more despite the significant fall in price for the cellulose fibre at international markets.

Almost all of Bangladesh's domestic demand for cotton is met through imports as local growers can only supply less than 3 per cent of the country's annual demand. Both the import and consumption of cotton in Bangladesh had risen steadily for the past decade as the country's thriving garment sector has led to the formation of many strong backward linkage industries.

The garment sector has seen tremendous growth over the years as Bangladesh's status as a least-developed country allows its apparel products to enjoy duty-free access to many developing and developed nations.

"Since last month, the consumption of cotton started growing as garment factories resumed production after about three months," said Khorshed Alam, managing director of Little Group, a leading cotton importer and consumer.

Millers used their previous stocks of cotton after reopening their factories following the lockdown, he informed. Besides, many importers delayed releasing cotton shipment from the port amid the coronavirus outbreak.

Textile millers also faced other issues, such as having to preserve unsold stocks of yarn and other fabrics. However, the previous inventory of such materials has emptied significantly due to the return of demand from garment manufacturers. “So now, we will start importing cotton again,” Alam added.

The pandemic is the sole reason for the declining trend of cotton imports, said Razeeb Haider, managing director of Outpace Spinning Mills. Most garment factories in Bangladesh are now running at 75 per cent of their total production capacity and this indicates that work orders are coming back.

The demand for various fabric materials could go even higher after September if the international retailers continue to source their products from Bangladesh at the current pace, he added. Alam and Haider, BTMA President Mohammad Ali Khokon said that more than 50 per cent of the annual sales target for fabrics had been met by July.
“I hope sales recover by more than 75 per cent by September and fully by the year-end.”

By January next year, sales should return to its previous growth rate, Khokon added. Of the $8 billion invested in the primary textile sector, Tk 20,000 crore has already been lost to the coronavirus fallout, according to numerous millers.

About 11,000 micro, small, medium and large spinning, printing, dyeing and weaving mills were unable to produce any goods in March and April for fear of coronavirus contagion. As a result, the millers missed two mega sales events incl;uding Pahela Baishakh and Eid-ul-Fitr.

Currently, there are about 450 spinning mills in the country while total investment in the sector stands at Tk 40,000 crore. Besides, Tk 30,000 crore has been invested in the weaving and dyeing sectors.

However, experts have underscored the need for providing adequate policy and financial support for the stakeholders so that they can be able to meet the local demand as well as to save the foreign currencies.

Source: dailyindustry.news– Nov 24, 2020

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Bangladesh: RMG exporters oppose feeder vessel fee rise

The Bangladesh garment Manufacturers and Exporters Association claimed that the feeder vessel operators increased rent for containers to and from Chattogram in the name of emergency cost recovery surcharge amid the coronavirus outbreak, which would impact the export competitiveness badly. The BGMEA on November 19 in a letter to the Chattogram Port Authority termed the ECRS illogical and unacceptable and the trade body demanded withdrawing the surcharge.

The letter signed by the BGMEA first vice-president Mohammed Abdus Salam said that the feeder vessel operators working in Chattogram-Colombo-Singapore and Port Klang routes had imposed $75 for each goods-laden container and $37.50 for each empty one as the ECRS became effective on November 15.

Transworld Feeders, one of the leading container feeder service providers, on November 4 informed its customers that the ECRS $75 for each loaded container and $37.50 for each empty one would be charged from November 16 on its Chattogram-Colombo-Chattogram route.

It also said that $70 for each loaded container and $35 for each empty one would be charged on its Chattogram-Singapore-Port Klang route from November 20. Feeder service providers said that they had been forced to impose ECRS as most of the vessels were seeing a berthing delay of over 48 hours in Colombo and nearly 36 hours in Singapore due to congestion.

Apparel exporters said that the surcharge would hit hurt the export sector as they were struggling to recover their business from the COVID-19 outbreak.

The BGMEA requested authorities concerned to stop the additional charge collection by the feeder vessel operators saying that exporters would lose their competitiveness on the global market due to the charged amid the COVID-19 outbreak. Bangladesh has no deep-sea port and depends on feeder vessels to transport goods to and from transshipment ports located in Singapore, Colombo and Port Klang.

Source: maritimegateway.com– Nov 24, 2020

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NATIONAL NEWS

Why India must open its doors for RCEP

Earlier this November, on a virtual Zoom window, 15 leaders and trade ministers of Asia-Pacific countries stood triumphantly, hoisting binders affirming their commitment to the Regional Comprehensive Economic Partnership Agreement (RCEP).

The world's largest free trade agreement took eight years of negotiations involving countries including Japan to New Zealand and Australia to Myanmar. The ceremony was appropriate for unusual times—each trade minister signed a copy of the agreement while the head of state or government looked on, all linked to a common video link.

Prime Minister Narendra Modi nor his commerce minister Piyush Goyal was on that screen since India opted to stay out of the agreement after withdrawing from negotiations this July. The seemingly-conspicuous absence followed India's last-minute exit from RCEP negotiations late last year.

The domestic commentariat's response to RCEP's finalization this week has matched, if not exceeded, the vitriol heaved last year. Critics argue that India has long missed the Asia-Pacific trade bus and this decision is the latest manifestation of that impulse.

While India had some merits in resisting RCEP, ostensibly driven by fears of an ascendant China and a politics of self-reliance, exiting the agreement does hamstring India from being able to shape future trade discussions that could coalesce around this agreement and the negotiating space it bequeaths.

Demerits aside, India should have signed the agreement for that reason—to influence the institutional politics of regional trade that will revolve around the RCEP ambit even if the agreement would have entailed accepting certain costs in the interim.

The agreement

RCEP was signed at the end of the annual Association of Southeast Asian Nations (Asean) Summit held virtually this year. The agreement that includes 15 countries (10 from Asean and Australia, China, Japan, New Zealand and South Korea) covers nearly a third of the global population, almost 2 billion people. The collective GDP amounts to $26 trillion— a third of the global number.

RCEP countries have agreed to progressively abolish 90% of all tariffs on goods between participating members; signatories will then have two years to ratify before the agreement becomes effective.

The agreement also simplifies customs procedures and rules-of-origin laws between countries. Rules of origin restrictions generally tend to constrain the development of regional supply chains, which means new provisions will reduce potential regulatory frictions for firms and countries in terms of production.

Provisions concerning trade in services are hollow. Neither does the agreement contain provisions on issues like environment, labour or intellectual property, which the CP-TPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership) had.

As it stands, RCEP binds some of the most dynamic economies, both developed and developing, without the de facto driver of global trade, the US. It should also serve as a framework where these 15 countries can deepen future trade cooperation. As countries across north and south-east Asia grow, RCEP's value could increase, as a bloc that relies on two poles—China and Japan—that will have to shape regional trade patterns and consequent rules to safeguard those economic networks.

RCEP will have to do it alongside the CP-TPP that also reduces tariffs and other bilateral trade agreements outside the ASEAN. Prevailing estimates suggest that RCEP will generate $186 billion to global trade by 2030 which is insignificant compared to other agreements but definitely not trivial.

The value is political and geopolitical: RCEP's signing affirms a regional commitment to trade liberalization and continued integration when countries are itching to erect barriers and decouple from existing supply chains due to the pandemic and the Trump administration's trade war with China.

The China factor

Was India's RCEP decision a foregone conclusion given China's inclusion and ongoing tensions with Beijing following border clashes in June?

Possibly. Analysts have gone out of their way to assuage fears that RCEP is a “China-led" project, emphasising, instead, its Asean-centric origins.

Such fears appear facile since RCEP is, in current form, a shallow agreement riddled with exceptions, exemptions, exclusions and transition periods on many issues allowing countries that sign to gradually adhere to provisions. The agreement does not have rules covering the environment or labour. Agriculture allows for exemptions, including fisheries. Rules on trade in services, including data, are weak with sufficient exceptions giving signatories scope to draft necessary domestic data rules.

Chinese leaders have used the vacuum to portray Beijing as the reliable partner of choice for economic growth, trade, and investment. But to describe RCEP as a China-led trade initiative misses broader trends in Asia, where countries are focused on diversifying trading partners, solidifying supply chains, and achieving economic and job growth through a pan-regional trade agreement.

This push was also shaped by the WTO’s inability to function as a central node driving trade. RCEP represents a statement that Asia-Pacific countries can finalize an agreement endorsing trade liberalisation, low tariffs and piecemeal rules to advance services without American push.

India’s qualms that the agreement does not roll back China’s economic model have not been addressed. The agreement does not affect Chinese economic policies and different kinds of support Beijing dispenses to domestic industries and firms. China’s state-managed capitalism survives unscathed. RCEP could possibly entrench China’s economic position that has rebounded well among major economies reeling from the pandemic.

It is the prospect of an untrammelled Chinese power that raised Indian anxieties before June 2020, making them pause on RCEP. It is likely this fear shaped Delhi’s reasoning to steer clear of RCEP despite a “door" remaining open for Indian entry. Beijing has been a strong proponent of RCEP all along, repeatedly emphasising to regional partners that China is and will be a reliable partner when it comes to trade.

China will likely benefit more from RCEP from an export and import point of view by virtue of its size and the impending need to reorient its economy toward consumption. RCEP rules do not require China to make any changes that cover exchange rate policies or domestic subsidies, reforms other countries wanted to ensure a level playing field.

Though China agreed to some concessions on e-commerce and data in the agreement which allow for the free flow of information so long as it relates to “the conduct of a business of a covered person", sufficient room exists for all countries to draft necessary data rules given “security and public policy exceptions."

As a result, RCEP provisions, once ratified, could make Asean member states and other RCEP signatories more vulnerable to Chinese power and coercion. This was a gamble that other countries, not India, were willing to make for various reasons, including the existence of CP-TPP; ongoing efforts to restructure regional supply chains; deepening security relations through the Quad and Indo-Pacific; Japanese leadership; and possible American re-engagement through a more engaged Biden administration.

It is clear that these developments did not assuage India enough to enter an exception-filled-RCEP that could have partially met Indian interests.

India’s interests

A country’s attitude to trade agreements is a function of trade politics or the distributional costs some groups are willing to bear in return for market access abroad. In the 1980s, India’s approach at the Uruguay Round was shaped by officials aware of market constraints experienced by Indian firms in industries like textiles, services and agriculture.

The rational bet that was made then was for a gradual opening up in specific sectors in return for foreign market access. India also conceded on intellectual property rights. The focus then was tariff reductions to drive India’s upward economic trajectory. Protectionist fears were neutralized by positive economic conditions.

The climate now is markedly different. Covid-19 has altered the domestic economic landscape and policies instituted under the rubric of self-sufficiency to revive India’s economy. Tensions with China have renewed and hardened concerns of Chinese imports flooding India. Trade has, in effect, been sacrificed. Specifically, a rational approach to trade has been lost at the expense of crises and geopolitical constraints that were in some ways present before but not central to the decision.

Crises aside, the current RCEP should have satisfied some of India’s concerns especially with the exceptions and exemptions being strewn in on issues like data and e-commerce.

There is no investor-state dispute settlement system in RCEP, though negotiations did cover this issue. Indian officials had long been wary of such a body. No big changes are required when it comes to government procurement. Over time, India's services sector would have had to open up to foreign investors, a trend we are seeing now in certain areas.

India's exit and subsequent upbraiding of RCEP after its signing appears to be driven by a vitiated, not instrumental, politics that equates trade to deindustrialization and distress. A denunciation of trade was in some way required to buttress an ideology of economic self-sufficiency that currently pervades public discourse.

Prevailing Fears

Did India have sufficient cause to reject the agreement, given the fears? Most of India's concerns can be attributed to the prospect of imports entering the Indian market. Indian officials had consistently pushed back against specific goods like dairy and agriculture from markets like Japan and Australia which would have harmed domestic producers.

The current agreement does not adequately address India's concerns in this respect though tariff reduction is incremental. In fact, India's trade deficit with the Asean worsened from 2018-19 to 2019-20 from $22 billion to $24 billion while remaining more or less constant with the remaining five—China, Japan, South Korea, Australia and New Zealand.

Undeniably, it is difficult to sign and ratify a trade agreement when your trade balance is not improving with countries that are part of the deal. Ratifying RCEP would have further exposed Indian traders and manufacturers to Chinese imports, imperiling jobs, businesses and industries.

Whether or not India's withdrawal generates sufficient economic losses to justify ratification, it will, however, ensure India remains outside the institutionalized orbit where future discussions, amendments, additions and revisions to RCEP could occur.

Soon enough, RCEP could become an institutionalized core with a secretariat, staff and platform where regional trade officials will be discussing a widening RCEP agenda. This platform could necessitate discussions on issues RCEP does not cover now like artificial intelligence, digital currency and block chain, for instance. Such discussions and potential rules will facilitate trade not just between the Asean but the other five.

The institutional effects of RCEP must not be underestimated as trade patterns evolve in this dynamic region and as new issues enter the expanding trade remit. Given the WTO's troubles, countries across the Asia-Pacific will likely engage through frameworks like RCEP to clear immediate bottlenecks and secure extra market access.

Indeed, RCEP's institutional legacy could have far-reaching effects—fostering trust, creating standards, fixing gaps and so on. India's absence from this vital institutional orbit could solidify the insular economic orientation and strategies adopted, like Atmanirbhar Bharat, to realize that goal. Unconstrained by pressures, Indian officials or firms will not be compelled to innovate or adapt their internal operations for a regional market evolving beyond their reach. That prospect could end up being more harmful for India.

Source: livemint.com– Nov 25, 2020

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Jobs, exports and the trade pacts link

India's economy contracted by 23.9% in the first quarter of 2020-21. According to the Reserve Bank of India (RBI), the Indian economy will further contract by 10% in the July-September quarter.

This is technically defined as a recession by economists. India is in an economic recession for the first time in its independent history.

'India is in a recession' means very little to the average Indian. The headline numbers too matter little to most people. The average Indian 'feels' the economic despair when her older child has lost his job or when her younger one cannot find a job despite her impressive educational qualifications.

She 'sees' the pall of gloom when many workshops in her town are closed or when trucks remain idle or when trains do not run or when restaurants do not have customers.

Jobs are the first casualty

Thousands of people lost their jobs due to the slowing economy in 2018-19 and 2019-20. Unemployment had reached a 45-year high. Then, in March 2020, COVID-19 struck India and a total national lockdown was announced. By one estimate, more than 2 crore people lost their jobs during the lockdown. They included all kinds of jobs — regular salaried, non-contractual, casual, daily wage, and self-employment. When jobs were lost, incomes were lost too. Millions of people found that they did not have a roof over their heads or money to feed their families.

In any country, the ultimate economic test is, are there sufficient jobs, incomes and livelihoods for all in the workforce? The single biggest challenge confronting India today is jobs. When people are poor, hungry and desperate, any job will be a blessing.

The job that requires hard, manual work and pays the lowest daily wage is the work provided under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) scheme. During the seven-month lockdown period, there were 11 crore people who asked for work under MGNREGA. That is 20 times more than the total number of persons employed by all the companies listed on the stock exchange. The only meaningful conversation about the economy that we ought to have is how to recover the jobs that were lost and create new well-paying jobs.

Let us suppose that the government makes available ₹10 lakh as a loan to four companies for capital investment. The first company, a steel manufacturing company, will create one new job with this amount. The second, an automobile manufacturer, will create three new jobs. The third, a producer of leather goods, will create 70 new jobs. And the fourth, an apparel and garment maker, will create 240 new jobs including 80 for women (Economic Survey 2016-17).

Where the jobs are

Large numbers of good quality jobs can be created only in sectors that are labour intensive, and where India has a comparative advantage, such as apparel, leather goods, value-added agriculture and so on. These job-creating sectors depend not only on the domestic market but, significantly, on export markets. More than one-half of the leather goods and one-third of the apparel produced in India are exported to other countries. India, therefore, needs to find more export markets, nurture them, and sustain them amid intense global competition. Merchandise exports also create supporting jobs in warehousing, transport, stevedoring, container stations, shipping, ship chandling, ports and export financing. It is therefore very important to encourage and incentivise exports to be able to create many new jobs in the country.

A recent research study by Arvind Subramanian and Prof. Shoumitro Chatterjee shows how exports were the most significant factor that drove the Indian economy in the 'boom years' of 2003-2012. Contrary to popular perception, Subramanian and Chatterjee have shown that during the period since 1995, India did exceptionally well not only in exports of services such as information technology but also in the exports of manufactured goods and other merchandise.

India was the third fastest growing exporter of manufactured goods in this period with 12% annual growth, after Vietnam and China. There is irrefutable evidence that India's new trade policy, unveiled first in 1991-92, and taken forward by every subsequent government until 2014, has paid rich economic dividends in generating jobs, incomes and consumption.

Exports and agreements

Unfortunately, despite the "Make in India" hype, export volumes have languished in the last six years. Merchandise goods exports were $314 billion in 2013-14 and remained stagnant for the next five years touching $313 billion in 2018-19. The reason for this (other than the disruption of export supply chains due to demonetisation and Goods and Services Tax) is the complete reversal in the direction of India's foreign trade policy with higher tariffs, non-tariff barriers, quantitative limits, the return of licensing, border country restrictions and the appreciating value of the rupee.

For nearly two decades, the countries of the world invested in a rule-based trading order. The age of trade agreements — both bilateral and multilateral — was born. There were more winners than losers because of trade agreements. Some historic trade agreements were the Association of Southeast Asian Nations (ASEAN), North American Free Trade Agreement (NAFTA) and the Southern Common Market (MERCOSUR). Half-hearted and hesitant agreements like the South Asia Free Trade Agreement (SAFTA) failed. Whether we like it or not, the harsh truth is that exports are linked to trade agreements. The member-countries of a trade agreement promote trade among themselves with easy rules but restrict trade with non-members with hard rules. Many countries rushed to conclude bilateral agreements (free trade agreements or FTA) because they realised the benefits to members. Non-members suffered.

Break down the wall

It is true that FTA provisions were also misused by some countries to question the foreign investment policies and tax policies of other countries, usually recipients of foreign direct investment (FDI) like India. Purely trade and commercial disputes were dragged to international arbitral tribunals on the pretext of violating FTA provisions.

India decided to keep FTAs in abeyance until we could agree with our partner countries, on a model FTA that built in safeguards against abuse. Unfortunately, under the current government, that has turned into an anti-FTA policy and has further metamorphosed into an anti-free trade policy. To put it bluntly, we are just a few steps away from full protectionism that kept India a closed and struggling economy for three decades.

Decades ago, Manmohan Singh, in his doctoral thesis at Oxford University, pleaded for India to shed its export pessimism. Today, we need to shed exaggerated fears of trade agreements. India cannot ‘protect’ its domestic industry with high trade barriers while aspiring for bilateral trade treaties to promote exports. This ‘have the cake and eat it too’ approach is naive and detrimental. Most manufacturing today has a long supply chain that cuts across many countries.

To be able to export goods, India must import raw materials or equipment or technology from other countries in the supply chain. Hence, we must re-learn to engage with other countries and negotiate favourable trade agreements through the bilateral and multilateral routes. Otherwise, countries bound by trade agreements among themselves will shut the doors on India’s exports.

Besides, it is common sense that no country will allow import of Indian goods and services unless that country is able to export its goods and services to India on reasonable and fair terms. The art of survival in a fiercely competitive world is engagement and negotiation.

India’s economy is in a shambles. Exports are one of the main engines to revive economic growth and create many new jobs. Subramanian and Chatterjee estimate that India has the immediate opportunity to export goods worth $60 billion in labour intensive sectors which can then create lakhs of new jobs.

To revive exports, India needs greater and frictionless access to global markets. Protectionism and autarky will take us back several decades. Wisdom lies in learning from the past, being smart and resilient in the present and securing our prosperity in the future.

Source: thehindu.com– Nov 26, 2020

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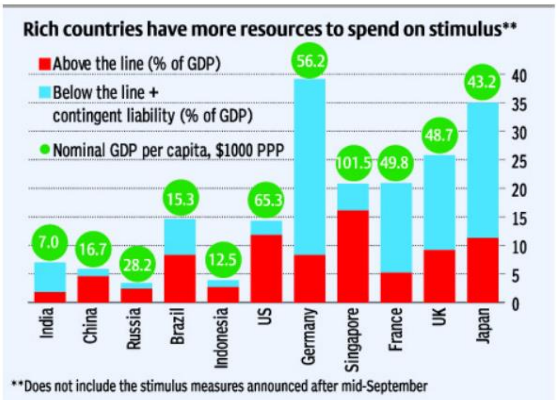
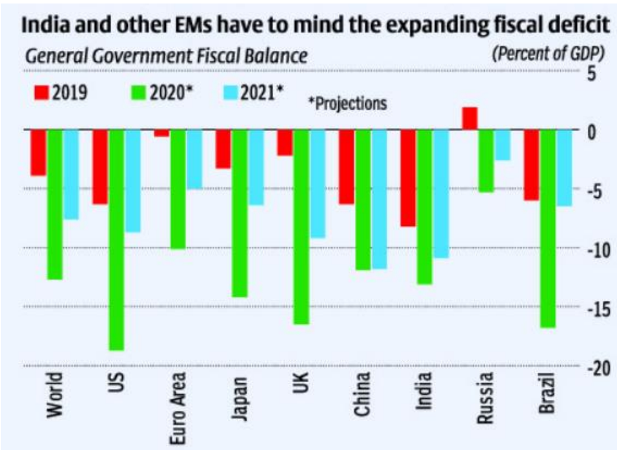
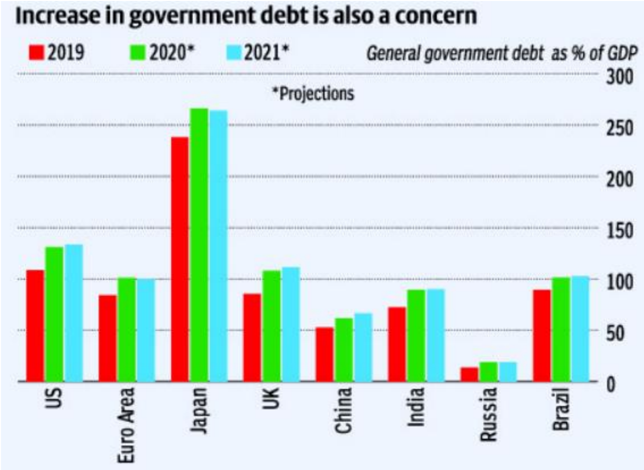
What's influencing the size of India's Covid-19 relief stimulus?



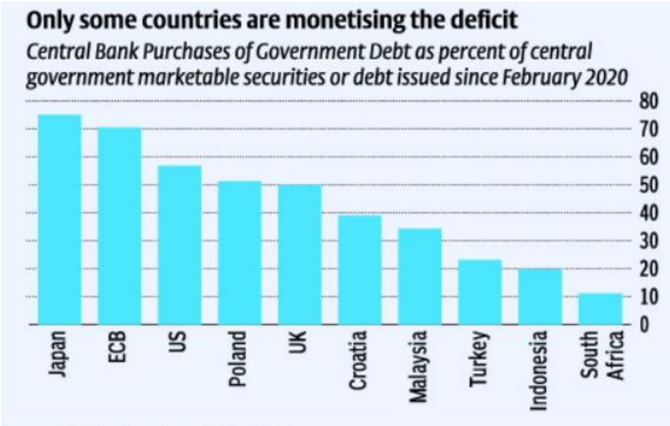
The Indian government has been announcing successive rounds of stimulus measures to help various segments of the economy deal with the loss of income, business and liquidity caused by the Covid-19 pandemic. After the recent round of stimulus announced on November 12, the Finance Minister said that the total stimulus along with the measures taken by the RBI to impart liquidity amounted to ₹29.87 lakh crore, accounting for 15 per cent of the GDP.



How do the measures of the Indian government compare with the quantum of stimulus announced by other countries? A comparison is possible using the IMF's fiscal monitor released in October. The IMF estimates that the value of fiscal measures taken by all countries amounted to $11.7 trillion, or close to 12 per cent of the global GDP, as of September 11, 2020. The fiscal actions were a mix of additional spending, revenue forgone — including temporary tax cuts — and liquidity support, including loans, guarantees, and capital injections by the public sector.



According to the IMF, India's fiscal package until September 11, 2020, amounted to 7 per cent of the GDP with above-the-line measures or actual spending amounting to 1.8 per cent and an additional 5.2 per cent from below-the-line measures. This package compares well with most other emerging economies, including China, Russia and Indonesia, that have spent a far lesser sum as a per cent of their GDPs. But the advanced economies have had an advantage during the crisis.



Source: IMF Fiscal monitor, October 2020

Wealth of the countries helps: Countries with higher GDP per capita, or those that have more wealth, have been able to borrow more against that wealth without having to worry about bloating the public debt inordinately. Countries such as Germany. Singapore, the UK and Japan could spend over 20 per cent of their GDPs to fight the pandemic because of their higher per capita income.

Fiscal imbalance needs to be minded: The IMF is projecting that India's fiscal deficit as a per cent of the GDP will expand to 13.1 per cent in 2020 and will continue to remain elevated at 11.8 per cent in 2021. Given the impact of the growing deficit on bond yields and the inability to monetise the deficit, India has to be mindful to not spend in a large way.

While the fiscal deficit of countries like the US and the UK is projected to expand beyond 15 per cent of GDP in 2020, it is expected to be reined to singe-digit by 2021. India is, however, expected to find it more difficult to control the deficit given the lacklustre revenue growth in 2021.

Debt to GDP: Rating agencies tend to keep a hawk-eye on the public debt and had already flagged India's growing debt as a concern in 2019. India's government debt as a per cent of GDP is expected to increase to 89.3 per cent in 2020 and stay elevated in 2021.

This high borrowing is likely to crowd out other corporate borrowers, increase supply of G-secs and spike yields. While the RBI has been using various tools to keep yields in check, it has its task cut out for the next couple of years.

Ability to print currency: The problem is that India cannot print currency and monetise its debt because the rupee is not as popular as the dollar, euro, yen or pound. Even if more of these currencies is printed, it will be absorbed due to their high international usage. But the increasing supply of Indian rupee will only lead to higher inflation here — an undesirable outcome.

Source: thehindubusinessline.com– Nov 25, 2020

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Govt moves to set up open e-commerce platform

Will provide easy access, reach to small traders, producers and consumers
The Department for Promotion of Industry and Internal Trade (DPIIT) is moving to set up an e-commerce platform to provide easy access to all, including small traders and producers. To this end, it has set up a steering committee for formulation, implementation and policy oversight of Open Network for Digital Commerce (ONDC).

“It will be a neutral e-commerce platform which may provide equal opportunities to all and provide easy access to e-commerce not only to traders but also consumers.

This step of the government was much awaited in the wake of a large number of complaints of malpractices by existing e-commerce companies,” explained Praveen Khandelwal, Secretary-General, Confederation of All India Traders (CAIT), who is part of the steering committee.

Earlier this year, the work of carrying out a pilot on the ONDC was given to the Quality Council of India.

The steering committee, according to a DPIIT order of Tuesday, will initially build consensus and, once the project gets underway, ensure that it continues to meet the set vision, goals, and objectives.

More to be done

"The government, it seems, is testing the water to see what kind of an open platform is required and feasible to increase accessibility and reach of e-commerce. It is just the initial stage and a lot of work will need to be done before the idea can be given a concrete shape," a Delhi-based researcher told BusinessLine. Khandelwal said that such a platform will give consumers the right to choose better products at reasonable prices and with efficient and responsible delivery system.

The committee is headed by a senior DPIIT official and includes representatives from the Department of Commerce, the Ministry of Electronics and IT, the Ministry of MSME and the NITI Aayog. Quality Council of India Chairman Chairman Adil Zainulbhai, NPCI Technology CEO Dilip Asbe and NSDL Technolgoy CEO Suresh Seth are also part of the committee and will provide domain expertise. Apart from CAIT, a representative of the Retailers Association of India will also be part of the committee to give industry inputs.

Source: thehindubusinessline.com– Nov 25, 2020

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SIMA urges freeing viscose fibre from anti-dumping duty

Mills group says most of 50 PLI plan products use viscose

The textile and clothing sector has urged the Centre to remove anti-dumping duty (ADD) on viscose fibre and address problems related to inverted duty structure in Man Made Fibre (MMF) segment for the industry to benefit from the recently announced Production Linked Incentive (PLI) scheme.

Of the 50 products identified for the scheme, most of them contain viscose, said Ashwin Chandran, president, Southern India Mills' Association (SIMA).

India now has a negligible share in these items in the global market compared with Bangladesh and Vietnam. For instance, for women's dresses made of artificial fibre, including viscose, India has 0.5% share in the global market.

Share of Bangladesh is 7% and Vietnam's 6.4%. Indian textile industry requires almost 6.34 lakh tonne of viscose fibre in FY20 and the fibre available for consumption from local capacities is 4.78 lakh tonne, he said.

M. Senthil Kumar, former SIMA chairman, said since viscose fibre attracts anti-dumping duty ($0.103 to $0.512 a kg), textile industry imports viscose yarn which has only basic customs duty. Imports of viscose yarn are on the rise.

Cotton, polyester, viscose and linen are the major fibres consumed in India. If the ADD on fibre is removed for viscose and linen, more spindles will be engaged in production of these yarns and domestic local powerloom industry would get the yarn at a lower price,, he added.

"The government says it is focusing on MMF sector and has come out with the PLI Scheme. If the raw material price is high, how will the sector grow,?" he asks.

"If the government really wants the PLI scheme to take off, the ADD at fibre level should be removed and all fibres should be treated equally," he says.

Several MSMEs in the MMF sector, in segments such as processing, are currently unable to take duty credit, adds T. Rajkumar, chairman, Confederation of Indian Textile Industry.

The government is talking to the industry and wants to give a boost to production of speciality fabrics and apparels that can be exported for all fashion seasons. This will mean focusing on the MMF sector. Hence, it is expected to set right the anomaly related to inverted duty structure in the MMF sector, he said.

Source: thehindu.com– Nov 25, 2020

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CCI to complete major export order to Bangladesh by December

As per the Cotton Corporation of India (CCI), a large cotton export order between India and the Bangladesh is expected to be completed in December. The total size of this export order is 1.5 million bales.

In 2019/20, CCI acquired 10.5 million cotton bales, of which 4.5 million bales remain unsold. Since 2020/21, CCI has acquired 1.1 million bales.

As per a report in the China Textile Magazine, Bangladesh currently imports 2.5-3 million bales (170 kg/bag) of cotton from India every year. In June this year, India began discussing its cotton exports with Bangladesh, China, Vietnam and Indonesia.

The discussions revealed that Vietnam currently has sufficient stocks to last until December. The country imports 400-500,000 bales from India each year.

Source: fashionatingworld.com– Nov 25, 2020

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India's RMG exports rise by 10% in October '20

As per the data released by the Ministry of Commerce, India registered a massive increase in its apparel exports in October '20 both on monthly as well as yearly basis.

A report by the Apparel Resources shows, India's RMG exports increased by 10 per cent in October to $ 1.17 billion from October '19. Similarly, India's apparel shipments to the world also surged by 79.67 per cent on a monthly basis in October as compared to September when it shipped apparels worth just US $ 651.16 million.

However, India apparel exports during April-October '20 period declined by 29.41 per cent from the same period of 2019 to $ 6 billion.

Though the increase in exports signals an export recovery in all major export destinations, a fresh wave of lockdown across major countries threatens to derail India's exports in coming months.

Source: fashionatingworld.com– Nov 25, 2020

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West Bengal, Kerala to go for ‘Option 1’ to meet GST compensation shortfall

Finally, West Bengal and Kerala agreed to join 23 States and 3 Union Territories with the legislature to go for ‘Option 1’ for meeting GST compensation cess shortfall. Now only, Punjab, Jharkhand and Chattisgarh have to take a call.

The States and Union Territories that choose Option 1 are getting the amount of shortfall arising out of GST implementation through a special borrowing window put in place by the Central government. The window has been operationalised since October 23.

The Centre has already borrowed an amount of ₹24,000 crore on behalf of the States in four instalments and passed it on to the States and Union Territories that chose Option 1. Now, Kerala and West Bengal will also receive funds raised through this window starting from the next round of borrowings.

Terms of Option 1

Under the terms of Option 1, besides getting the facility of a special window for borrowings to meet the shortfall arising out of GST implementation, the States are also entitled to get unconditional permission to borrow the final instalment of 0.5 per cent of Gross State Domestic Product (GSDP) out of the 2 per cent additional borrowings permitted by the Centre, under Atmnirbhar Abhiyaan on May 17. This is over and above the Special Window of Rs.1.1 lakh crore.

On receipt of the choice of Option-1 from Kerala and West Bengal, the Centre has granted additional borrowing permission of ₹4,522 crore to Kerala (0.5 per cent of Kerala’s GSDP) and ₹6,787 crore to West Bengal (0.5 per cent of West Bengal’s GSDP).

Source: thehindubusinessline.com– Nov 25, 2020

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MMF hub to embrace clean processing

Country's largest man-made fabric (MMF) hub is set to witness a big shift towards environment friendly textile processing with adoption of the ozone treatment method.

The method will not only bring down the textile processing time but also reduce the generation of wastewater that too with lower levels of COD (chemical oxygen demand) and TDS (total dissolved solids).

Currently, the textile wash processes consume substantial amounts of water about 2,500-6,000 litres, which generates large amounts of wastewater with high potential of causing pollution.

The ozone treatment developed by Man-Made Textile Research Association (MANTRA), Surat, will save 10-15% of the water used and also drastically reduces water contamination caused by the textile mills during the wet dyeing process.

Ozone reacts with inorganic and organic substances dissolved in water generating a variety of free radicals. There is no need to use sodium or alkaline agents during the ozone treatment, thereby reducing the chances of water pollution. For this method, ozone gas is generated with the help of electricity, which converts oxygen into ozone.

Senior scientist of MANTRA, Munjal Parikh told TOI, "Our approximate calculation indicates that a unit involved in only dyeing and finishing will save 10% of total water consumption by adopting ozone treatment after the clearing process. This may be more depending on the type of processing sequence which generally varies from unit to unit."

The textile dyeing sector is a water intensive industry where a huge amount is needed in all the processing operations of the polyester fabrics. There are about 350 textile processing mills located in Pandesara, Sachin and Palsana with daily requirement of water estimated at over 180 million litres of water per day (MLD).

Munjal added, "A lot of dyestuff, chemicals, auxillaries etc are applied in the water baths, creating ecological problems due to water contamination. The ozone treatment is the best answer to solve the pollution issue in the industry. MANTRA has got the patent of the research as well."

Parag Dave, regional officer of Gujarat Pollution Control Board (GPCB) told TOI, “Ozone treatment developed by MANTRA is one of the best methods in the wet textile process in the country.

It is a win-win situation for the industry as the ultimate goal is to reduce the pollutant levels in raw effluent water and increase the efficiency of the Common Effluent Treatment Plants (CETPs). The load of treating effluent water at CETP will considerably decrease, thus reducing the operational cost as well.”

Source: timesofindia.com– Nov 26, 2020

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