TEXTILE INTELLIGENCE CENTRE
IBTEX
INFORMATION BUREAU TEXPROCIL

TEXPROCIL NEWS CLIPPINGS

An ISO 9001:2015 CERTIFIED COMPANY

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

IBTEX No. 232 of 2020 October 28, 2020

US 73.69| EUR 86.81| GBP 96.10| JPY 0.71

NEWS CLIPPINGS

	NATIONAL NEWS
1	A Commerce Ministry for the 21st century
2	Nitin Gadkari seeks Walmart 'guidance' for khadi, village industries to ramp up MSME turnover, exports
3	Loan moratorium: Lenders to credit 'interest on interest' to borrowers by Nov 5, Centre tells SC
4	'Prioritise clearance of cargo in long standing containers to ease exporters pain'
5	Revival on, India will be fastest growing economy next year: FM
6	Cotton futures up nearly 1% to Rs 19,430 per bale
7	VOC Port rolls out Direct Port Entry facility 24x7 for factory-stuffed containers

INTERNATIONAL NEWS

Global FDI flows fell 49% in first half of 2020 due to COVID-19: UNCTAD

Global foreign direct investment (FDI) flows fell 49% in the first half of 2020 compared to 2019 due to the economic fallout from COVID-19, new trade data from the UN said.

UNCTAD's latest Global Investment Trends Monitor released on Tuesday said that in the wake of the pandemic, lockdowns around the world slowed existing investment projects and the prospects of a deep recession led multinational enterprises to reassess new projects.

"The FDI decline is more drastic than we expected, particularly in developed economies. Developing economies weathered the storm relatively better for the first half of the year," UNCTAD's investment and enterprise director James Zhan said. "The outlook remains highly uncertain."

According to the report, developed economies saw the biggest fall, with FDI reaching an estimated USD 98 billion in the six-month period, declining 75 per cent as compared to 2019.

The trend was exacerbated by sharply negative inflows in European economies, mainly in the Netherlands and Switzerland. FDI flows to North America fell by 56 per cent to USD 68 billion.

Meanwhile, the 16 per cent decrease in FDI flows to developing economies was less than expected, due mainly to investment in China. Flows decreased by just 12 per cent in Asia but were 28 per cent lower than in 2019 in Africa and 25 per cent lower in Latin America and the Caribbean.

In the six months to June 2020, developing countries in Asia accounted for more than half of global FDI. Flows to economies in transition were down 81 per cent due to a strong decline in Russia. The decline cut across all major forms of FDI, the report shows.

The report added that cross-border M&A values reached USD 319 billion in the first three quarters of 2020. The 21 per cent decline in developed countries, which account for about 80 per cent of global transactions, was checked by the continuation of M&A activity in digital industries.

The value of greenfield investment project announcements, an indicator of future FDI trends, was USD 358 billion in the first eight months of 2020.

Developing economies saw a much bigger fall (-49%) than developed economies (-17%), reflecting their more limited capacity to roll out economic support packages.

It said the number of announced cross-border project finance deals declined by 25 per cent, with the biggest drops in the third quarter of 2020, suggesting that the slide is still accelerating.

The report projects that the full year may see a 30 per cent to 40 per cent decrease in FDI flows, the report indicates. The rate of decline in developed economies is likely to flatten as some investment activity appeared to be picking up in the third quarter.

“Flows to developing economies are expected to stabilize, with east Asia showing signs of an impending recovery,” it said.

“The flows will hinge on the duration of the health crisis and the effectiveness of policy interventions to mitigate the economic effects of the pandemic.

Geopolitical risks continue to add to the uncertainty,” the report said, adding that despite the 2020 drop, FDI remains the most important source of external finance for developing countries.

Source: financialexpress.com– Oct 27, 2020

HOME

****

China’s industrial profit growth slows as factory-gate deflation weighs

September marked the fifth month of profit growth, albeit slower than a 19.1% increase in August

Profits at China’s industrial firms rose for a fifth straight month in September, but at a slower pace as factory-gate deflation and rising raw materials costs undercut a recovery in the manufacturing sector.

China's economic rebound has been gaining momentum following the sharp Covid-19-driven downturn thanks to strong exports, pent-up demand and government stimulus, but slower-than-expected third quarter gross domestic product growth highlighted pockets of weakness for one of the few drivers of global demand.

Profits at Chinese industrial firms in September rose 10.1 per cent year-on-year to 646.43 billion yuan ($96.34 billion), National Bureau of Statistics (NBS) data showed on Tuesday.

That marked the fifth month of profit growth, albeit slower than a 19.1 per cent increase in August.

Zhu Hong, a senior statistician at the NBS, attributed the slower growth in September to deepening declines in factory-gate prices, rising losses from asset depreciation and increasing raw material costs for auto and electronics sectors.

Factory gate prices, a key barometer of industrial demand, fell at a faster-than-expected pace in September, and consumer inflation slowed to its weakest in 19 months.

"Although industrial profits continued to recover steadily in the first three quarters, cumulative operating income and profit growth have yet to turn positive, while growth rates of accounts receivable and inventory of finished goods are still high," Zhu said.

"The foundation for continued improvements in corporate profits still needs to be consolidated."

For January-September, industrial firms' profits fell 2.4 per cent on an annual basis to 4.37 trillion yuan, with the downturn easing from a 4.4 per cent decrease in the first eight months.

Auto manufacturing, non-ferrous metal smelting and processing and ferrous metal smelting and processing industries contributed to the bulk of the profit increases in the first nine months.

Major mining firms including Zijin Mining Group and Chifeng Jilong Gold Mining reported stronger net profits for the nine-month period.

Profit margins at big industrial firms rose 13.8 per cent in the third quarter from a year ago, compared with a 4.0 per cent fall in the second quarter, while earnings at small industrial firms rose 15.8 per cent in the third quarter, NBS data showed.

The industrial profit data covers large firms with annual revenue of over 20 million yuan from their main operations.

Source: thehindubusinessline.com– Oct 27, 2020

HOME

****

"Indonesia-South Korea trade deal sign of things to come"

Indonesia is set to sign a trade agreement with South Korea and seeks ensure that a larger deal at the regional level will also be inked, as the country focuses on increasing overseas market access in the hopes of lifting its economy out of the mire of the pandemic.

Foreign Minister Retno Marsudi recently said she would oversee the signing of the Indonesia-South Korea Comprehensive Economic Partnership Agreement (IK-CEPA) in November, a move that confirms the ministry's increased focus on economic diplomacy.

President Joko "Jokowi" Widodo gave the nation's diplomats a mandate to focus on securing economic gains earlier this year and installed a deputy foreign minister who had extensive experience in senior economic Cabinet positions.

The IK-CEPA was agreed upon in November of last year after nearly a decade of back-and-forth negotiations with Seoul. Talks began in 2012 but were put on hold in 2014 because of a lack of progress. Both sides agreed to resume negotiations for the deal last year.

Under the agreement, Indonesia's industrial, fisheries and agricultural products will get better access to the South Korean market. In return, Indonesia will buy raw industrial materials from South Korea to facilitate South Korean investment in the country. At the regional level, the two countries are working to finalize a larger, multi-country trade agreement.

ASEAN states, together with five partners from the wider Indo-Pacific region, are hoping to sign the Regional Comprehensive Economic Partnership (RCEP) in November, Retno said during the one-year foreign policy review of Jokowi's second term last week.

"Diplomacy continues to work to encourage the finalization and signing of the RCEP at the ASEAN Summit in November 2020. This message was also conveyed by President Jokowi during his meeting with [Japanese] Prime Minister [Yoshihide] Suga in Bogor [West Java]," Retno told reporters during the briefing. The 15 RCEP countries finalized a draft of the partnership last year, after India pulled out over differences regarding the scope of tariff reductions.

Measured by population and economic size, RCEP is set to be the largest regional trade bloc in the world, accounting for about a third of global gross domestic product (GDP). Experts have said it would be the second-most important trade agreement after the World Trade Organization and a crucial one for the economies of the Indo-Pacific as they seek to rebuild regional connections severed by the ongoing COVID-19 health crisis. As COVID-19 drives the nation toward a likely recession, the Foreign Ministry has allocated additional capital to strengthen its economic diplomacy.

Retno said Indonesia was involved in talks for the ASEAN Comprehensive Recovery Framework, which aims to maintain regional supply chains and the flow of essential goods and investment during the COVID-19 pandemic. To help business flow smoothly during the pandemic, Indonesia has established essential business travel corridors with the United Arab Emirates, South Korea, China and Singapore.

It is also negotiating similar arrangements with other partners, such as Japan and ASEAN. Retno said Indonesia had begun preparations to open Indonesia's borders to regular visitors, although no fixed timeline has been set. In the early days of the pandemic, the ministry formed the Team for the Acceleration of Economic Recovery (TPPE), which allowed it to collaborate with the Investment Coordinating Board (BKPM) and Indonesia's representatives abroad to secure investment.

The ministry has also collaborated with the State-Owned Enterprises Ministry to explore opportunities for outbound investments, with a focus on construction services, extractive industries, strategic industries and the expansion of power plant operational services. Some observers say Indonesia has been using economic diplomacy to connect the dots between its bilateral trade relations and multilateral efforts like RCEP, having secured mutually beneficial market access with Australia through the Indonesia-Australia CEPA in early July. The country has also opened talks for preferential trade agreements with partners such as India and Mozambique.

“In addition, the Foreign Ministry will continue to try to secure Indonesia's trade with major partner countries. We welcome Indonesia's increased trade with several partners, including China and the United States,” she said. Indonesia is in talks to retain trade perks under the US’ Generalized System of Preferences (GSP) scheme, just as US Secretary of State Mike Pompeo prepares to visit the country. In addition to the greater focus on economic diplomacy, the one-year review showed that the Foreign Ministry had altered the priorities that were set out at the start of the year. Retno acknowledged that the challenges during the year had been extraordinary.

“During the pandemic, we had no choice but to refocus our work priorities,” she said. The minister said Indonesia would focus on three priority issues for the remainder of the year: protecting Indonesian citizens abroad, contributing to world peace and stability and helping the government manage the pandemic, both in terms of its health and socioeconomic impacts.

Source: thejakartapost.com– Oct 27, 2020

HOME

****

Can the stain of forced and child labour be removed from cotton?

SOMETIME AROUND the middle of the 19th century, Maria Sutton Clemments worked as a slave on an Arkansas cotton plantation. Years later she remembered one typically vicious overseer. If her fellow slaves “didn't chop that cotton just right,” she recounted, “he would have them tied up to a stake or big sapling and beat him until the blood ran out of the gashes.”

Fast forward around 175 years from that Arkansas scene, and Ruslan Utayev is recalling his own experience of being forced to pick cotton, in Uzbekistan, less than a decade ago. Between September and November, he says, the then president, Islam Karimov, closed Mr Utayev’s school and made its children and teachers work the fields. His shift started at 6am and he was expected to pick 100kg of cotton a day, a barely conceivable amount of what is, in essence, fluff. Those who failed to reach their quotas were spared the whip, but could expect public humiliation from their supervisors.

Like countless others, both Susan Merritt and Mr Utayev were the victims of the world's hunger for cotton. American plantations supplied the newly mechanised cotton mills of Europe, particularly Britain. And it was a desire to free itself from a reliance on Western cotton that led pre-Soviet Russia to turn vast swathes of its Central Asian conquests over to the crop. Both Western capitalism and, later, Soviet communism, had the same effect: to compel the unwilling to harvest a labour-intensive crop as cheaply as possible.

The legacy has endured. Today the world's attention has turned to the Uyghurs in Xinjiang, a gulag-splattered region in western China. There, companies bus in minorities to cotton fields under the pretence of creating "a sense of unity and nationality", says Kai Hughes, executive director of the International Cotton Advisory Committee (ICAC), an industry group (though he was speaking in a personal capacity).

Farmers produced an estimated 26m tonnes of cotton in 2019-20, worth $41bn, according to the ICAC. It is the most widely farmed product that you can't eat, reckons the World Wildlife Fund. America's Department of Labour lists 17 countries believed still to use forced or child labour in their cotton industries. Miscreants span the globe, from Argentina to Egypt to China. Of the world's ten biggest cotton producers, only three—America, Australia and Mexico—are considered free of it (and some argue that, given its use of prisoners to pick the crop, America is lucky to be off the blacklist). Nowadays few pickers face such blatant coercion as those in Arkansas or Uzbekistan did, or the Uyghurs do. Labourers are more likely to be entrapped by debt, or exploited by agents. India's experience is common. Pickers there tend to be migrants who move with the seasons. Often jobs in far-off states are arranged through middlemen, who take an advance, ostensibly to cover accommodation and such like.

The effect is to bond the harvester to the agent until the money is repaid. At the same time, the majority of cotton farms are smallholdings. According to the International Institute for Sustainable Development, a think-tank, of the 100m farmers who cultivate the crop around the world, around 90% do so on less than two hectares of land. That discourages mechanisation, forcing them to rely on cheap human labour.

The use of children is a separate, though related, issue. It comes in two guises. The first is migrant families taking their offspring to toil in the fields with them. The second is farmers using them on their own holdings. Children are employed not only because they are cheap. Farmers also prize their small, nimble hands, particularly during seeding season, says Purva Gupta of the Global March Against Child Labour, a human-rights group. When that is combined with rural poverty and inadequate schools, many parents think their kids' time is best served working. Lax regulation doesn't help. Child labour in India, for example, is outlawed only for hazardous occupations, among them mining. Cotton farming doesn't feature, even though the children can often be exposed to dangerous agricultural chemicals.

Brand spanking due?

Many people argue that the solution to forced labour lies with global clothing brands, the ultimate beneficiaries of such practices. Why are they not being more rigorous when they source their textiles? Many brands say they would like to be, for both legal and reputational reasons. The trouble is cotton's convoluted journey from farm to shop. Even a "simple" supply chain, says Mark Sumner of the University of Leeds, looks something like this: a farmer and his small-holder neighbours sell raw cotton to a ginner (who separates the fibres from the seeds), often through an agent. The ginner then supplies huge global traders, which amalgamate cotton from around the world, sorted by quality. They in turn sell to yarn producers. Next come the textile manufacturers which knit or weave the fabric and sell to dyers and finishers. Finally the cloth is ready to be sold to a garment manufacturer which produces the finished item. These tend to be the only firms in the supply chain with which the brands have a contract.

Even if those further down that chain had the will to track which bales came from which field (which it is not in their interest to do) it would be logistically unworkable. And expecting brands to audit the practices of firms with which they don't have a contract is a big ask. Even the biggest clothing companies would represent only a small fraction of the trade of downstream firms, giving them little leverage when it comes to enforcing standards.

The problem, then, can feel intractable. Yet there are things that can be done. Some schemes reward firms that invest in ethical sources of cotton. The Better Cotton Initiative (BCI) is one example. It certifies brands using a concept called "mass balance". When a clothing firm places an order for finished garments, it asks for a certain weight of certified cotton to be associated with the order.

BCI then ensures that a farmer somewhere in the world produces the same weight of cotton to its standards, which not only include criteria on labour but also on environmental impact. This credit is passed through the supply chain. Thus, although the clothing firm cannot guarantee that the actual material it uses has been produced without forced labour, it can say that it has been instrumental in producing the equivalent amount of ethical cotton.

Motivated governments also help hugely. Around the turn of this century, for example, Brazil decided to make a concerted effort to stamp out child labour. Laws were tightened, penalties increased and government inspectors sent out to farms. Such measures have “effectively priced child labour out of the market there”, reckons Genevieve LeBaron of the University of Sheffield.

Authorities in importing countries must play their part, too. Xinjiang produces more than 80% of China’s raw cotton, says Mr Hughes, and the country as a whole is the world’s second-largest producer after India. Last month the American government placed “Withhold Release Orders” on firms accused of using forced Uyghur labour, in effect making their cotton illegal to import. Since then China’s share of America’s cotton-textile market has dropped from 31% to 26%, says Mr Hughes. (Although China still has a huge domestic market.)

Reaping the harvest

Many point to Uzbekistan as a beacon of hope. Seventy per cent of the country’s arable land is used for cotton (often in rotation with wheat), according to the International Labour Organisation, a UN agency. Some 1.75m people—one in eight of the working-age population—work picking the crop. Many were once forced to do so. But following the death of President Karimov in 2016, the country decided to clean up its act. Under the pressure of sanctions, forced and child labour were criminalised. Smallholders were also nudged into co-operatives and foreign experts encouraged into the country.

One such was Dan Patterson, a Mississippian who in 2018 set up the Silverleafe farm cluster in Jizzakh, in the east of the country. Its co-operative now operates on 27,000 hectares. That has allowed Mr Patterson to mechanise. Mr Utayev, the schoolchild forced into the fields a decade ago, no longer toils with his hands. Instead of 100kg of hand-picked cotton, he operates a harvester that brings in more than 120,000kg of raw seed a day. Higher wages mean he can now take care of his family, he says. The crop from each plot on Silverleafe is radio-tagged and sent to the cluster's own ginner. The co-operative is also building a textile mill. Both digitisation and vertical integration make it much easier to track each bale of cotton "from dirt to shirt" says Mr Patterson.

The ILO says Uzbekistan is on the way to eradicating forced and child labour. It reckons the number of people participating involuntarily in the harvest fell by 40% in 2019 compared with the previous year, to around 102,000. Others, like the Cotton Campaign, an umbrella group that includes brands, producers and NGOs, are more cautious. Allison Gill, its senior coordinator, thinks the number may sneak up again this year. As covid-19 hits the economy and depresses the price of cotton, she says, firefighters and even bankers are being mobilised on some plantations. For the moment, none of the group's members favour lifting a boycott of Uzbek cotton. But if Uzbekistan can prove that eliminating forced labour is not only ethical, but also financially rewarding, other countries might eventually cotton on, too.

Source: economist.com– Oct 26, 2020

HOME

****

Global trade of knitted apparel expected to drop

The global export of knitted apparel grew 1.53 per cent from $2,22,156.94 million in the year 2017 to $2,25,563.75 million in 2019. Total exports dropped 2.52 per cent in 2019 over the previous year, according to data from TexPro. Further, the export is expected to move down to $2,20,388.87 million in 2022 with a rate of 2.29 per cent from 2019.

The global import value of knitted apparel was $1,96,505.46 million in 2017, which surged 5.39 per cent to $2,07,090.81 million in 2019, according to Fibre2Fashion's market analysis tool TexPro. Total imports decreased marginally 1.63 per cent in 2019 over the previous year and is expected to plunge to $2,04,811.15 million in 2022 with a rate of 1.10 per cent from 2019.

China ($77,578.24 million), Vietnam ($15,363.12 million), Germany ($11,345.81 million) and Italy ($10,738.62 million) were the key exporters of knitted apparel across the globe in 2019, together comprising 50.99 per cent of total export. These were followed by Turkey ($9,197.28 million), India ($7,882.22 million) and Cambodia ($7,842.53 million).

From 2016 to 2019, the most notable rate of growth in terms of export value, amongst the main exporting countries, was attained by Vietnam (45.61 per cent), Italy (43.90 per cent) and Spain (38.84 per cent).

US ($46,659.25 million), Germany ($19,410.31 million), Japan ($13,681.02 million) and UK ($12,324.65 million) were the key importers of knitted apparel in the globe in 2019, together comprising 44.46 per cent of total import. These were followed by France ($11,832.33 million), Spain ($9,372.66 million) and Netherlands ($8,831.09 million).

From 2016 to 2019, the most notable rate of growth in terms of import value, amongst the main importing countries, was attained by UK (8.95 per cent), Japan (2.69 per cent) and Germany (16.38 per cent).

Source: fibre2fashion.com– Oct 27, 2020

HOME

****

Just One Major Brand is Fully Transparent About Its Suppliers

The good news: Fashion brands and retailers, needled by growing calls for greater transparency, are increasingly opening up their supply chains to public scrutiny. The bad? Few are disclosing or even mapping their suppliers beyond the first tier of finished-goods manufacturers, which does little to allay the human-rights abuses lurking in the lower reaches of the pipeline.

Take, for instance, the textile-producing hub of Tamil Nadu, whose 2,000-plus mills and 280,000 workers create yarns and fabrics earmarked for the U.S. and European markets.

While 46 out of 62 major brands and retailers with reported links to companies in the southern Indian state are divulging their Tier 1 manufacturers, only 23 are publishing at least a partial list of processing facilities involved in printing, dyeing, laundering or embroidery, according to a recent study by grassroots initiative Fashion Revolution.

Worse, just 18 are disclosing even a selection of their textile production sites, such as those taking part in spinning, knitting, weaving and fabric production. Conversely, 16 companies, including American Eagle, Boohoo, Fashion Nova, Zara owner Inditex, Ralph Lauren, The Children's Place and Walmart, are providing no information about any of their suppliers.

Translated, this means that only 31 percent of the brands and retailers that Fashion Revolution reviewed, such as Asos, H&M, G-Star Raw, Levi Strauss and Marks & Spencer, are divulging at least some of their textile production sites, said the organization, which regularly poses the question #WhoMadeMyClothes on social media. Out of the 62, however, only one—Swedish denim label Nudie Jeans—supplies a complete list of its textile production sites.

"The others are disclosing only the textile production sites, which either constitute their core supplier base, cover a specific portion of their production volume, or may be listed due to being vertically integrated into suppliers further up the chain," the group wrote in the report "Out of Sight: A Call for Transparency from Field to Fabric," which it published this month in collaboration with the Tamil Nadu Alliance, a civil society forum of 100 grassroots organizations in southern India.

The coalition, which launched the Tamil Nadu Declaration and Framework of Action at the same time, is urging the fashion industry to help eradicate severe labor exploitation in the region's spinning mills through reform across five key areas, the first of which is the expansion of supply-chain transparency. Brands and retailers, it added, need to publicly disclose the details of all textile and raw material manufacturing processes—not just the ones they have direct business relationships with.

The other issues follow, the Tamil Nadu Alliance said, including policy development and engagement, fair and equitable purchasing practices, worker-centered monitoring mechanisms and grievance mechanisms, all of which would help address the excessive and involuntary overtime, extremely low wages, physical and sexual violence and restriction of freedom of movement that are endemic to the sector. And the deeper the supply chain goes, the worse the problems get.

"When you start to look further down the supply chain where fabrics are knitted or woven, textiles are treated and laundered, yarns are spun and dyed, fibres are sorted and processed and raw materials are grown and picked—what the industry commonly refers to as Tiers 2, 3, 4 and 5—there remains a widespread lack of transparency," the report's authors wrote. "In fact, there seems to be a broad absence of investigation and supply-chain mapping beyond the first tier."

The limits of supply-chain transparency are a problem that extends beyond India. When Fashion Revolution reviewed 250 of the world's biggest brands and retailers for its annual Fashion Transparency Index in April, it found that only 40 percent were publicly disclosing a list of their Tier 1 manufacturers. Just over half of those—24 percent—were doing the same with select Tier 2 and 3 suppliers.

But although brands and retailers "may not have the same level of influence on suppliers deeper in the supply chain as they do with first-tier manufacturers, these lower-tier suppliers are just as critical to brands' success," the report's authors note. "Without fibers and fabrics, made by the facilities and people further down the chain, brands would not have clothes to sell. Decisions made by brands during the design and sourcing phase of the product development—such as quality, color, price, lead time and last-minute order amendments—have impacts on working conditions at every tier of the supply chain, right down to raw material."

Exploitation, they added, tends to "thrive in hidden places." A 2013 study conducted by BSR and Sedex found, for instance, that Tier 2 and 3 suppliers incurred up to 27 percent more critical labor, human rights and environmental issues than their Tier 1 counterparts. Home workers at the bottom of the supply chain, in particular, not only lack the job security or stable incomes of their factory colleagues, but they're also afforded none of their social protections or right to legal restitution, however precarious those may be.

Covid-19, and the power asymmetry it has made even more stark, has exacerbated all these problems. Multiple Indian states have proposed suspending labor protections for workers to "expedite the post-pandemic recovery," including extending daily working hours from eight to 12 for a period of up to three years. Brands and retailers, facing financial straits of their own, have been further skewing sourcing dynamics by downsizing order volumes, forcing steep discounts and imposing extended payment terms that leave suppliers with scant liquidity. If current trends continue, 57 percent of suppliers say it is extremely or somewhat likely they will have to close down business, one poll recently found.

"In contrast, major brands and retailers should be paying extra attention and providing extra support to their suppliers at this time, not just first-tier manufacturers but those deeper in the supply chains, too—the textile mills, tanneries, dye houses, workshops, plantations and farms," the authors wrote. "This requires that brands have visibility and take responsibility beyond the first tier."

Source: sourcingjournal.com– Oct 27, 2020

HOME

****

Pakistan finalizes Textile Policy 2020-25

The Pakistan government has finalized the Textile Policy 2020-25 with eight objectives starting from encouraging value addition, ensuring profitability of cotton growers to strengthen Pakistan's expertise in manmade fiber, putting small medium enterprises (SMEs) on priority for infrastructure, compliance, energy efficiency, quality assurance and productivity projects.

The Brand Development Fund (BDF) will be launched to help boost export of textile products. Textiles and apparel machinery will be zero rated. Under the proposed textile policy, electricity tariff will be at 7.5 cent per unit and RLNG tariff at 6.5 cent per MMBTU, while the system gas will be provided to textile sector at Rs786 per MMBTU. However, the current electricity tariff for export industry stands at 9 cent per unit that will be decreased to 7.5 cent per unit for three years (till 2025), once the policy is approved and gets enforced.

The policy also unfolds that Long-Term Financing Facility (LTFF) and Export Financing Scheme (EFS) rates will not be changed and LTFF will continue at 5 per cent and EFS at 3 per cent. The industrialists wanted the government to further lower rates of loans under the LTFF and EFS, but the government didn't accept the demand of the textile industry.

The government will enact a Trade Resolution Act and strengthen the Directorate General of Trade Resolution Organization (DGTRO) to address trade disputes between suppliers and buyers. Moreover, an online portal will be established to register trade complaints. Textile associations will also be involved to settle trade disputes.

The Ministry of Commerce will extend support to textile associations to devise a media strategy for image building and branding of Pakistan's textile and apparel industry.

More importantly, international companies will be invited for investment to bridge demand-and-supply gap in manmade fiber (MMF) production. Tariff and customs duty drawback rates of the manmade fiber value-chain will be rationalized. For other natural fibers, a special board will be constituted for development of wool, jute, hemp, and other natural fiber-based textiles and apparel value-chain.

Source: fashionatingworld.com– Oct 27, 2020

HOME

****

Pakistan: Experts discuss changing trade rules

The political economy of trade is governed by trade policies and in the situation created by the Covid-19 pandemic many countries are using ad hoc restrictions on imports and exports, said Federation of Pakistan Chambers of Commerce and Industry (FPCCI) Standing Committee on WTO Affairs Convener MA Jabbar.

Speaking at a webinar on "Covid-19: Impact on the Political Economy of World Trading Rules", he said, "As a result, meeting the domestic requirement is the preferred option against the restriction-free trading discipline in the political economy of world trading rules."

Jabbar pointed out that in the recent past after receiving a grant from the World Bank, almost all the protective SROs for tariff differential support to domestic industrial goods manufacturing were scrapped in the country.

"These SROs were acting as a tariff differential protection - a bridge between tariff rates on import of finished goods and raw material for domestic production as import substitution."

He said economic development after the Covid-19 pandemic appeared to be more inclined towards ad hoc policy arrangements of increasing tariffs ie additional customs duty, regulatory duty and anti-dumping duties at the beginning.

On the other side, he said, conventional exports from Pakistan with resource-based comparative advantage and subsidies were not picking up and each and every review of the country's trade policy by the World Trade Organisation (WTO) had called for diversification of the economy.

Also speaking on the occasion, Ministry of Commerce Joint Secretary (WTO Wing) Aisha Humera Moriani said since the gradual shift in dynamics of international politics, the dynamics of global trade had also changed with time.

Source: tribune.com.pk– Oct 27, 2020

HOME

****

Bangladesh: Government restored 40% of cancelled RMG orders: finance minister

The government managed to restore 40 percent of RMG orders which had been cancelled by foreign buyers amid the coronavirus pandemic, Foreign Minister AK Abdul Momen said today.

"This was possible because our prime minister had a special concern about it. She talked to the heads of the states urging them to make sure that the supply chain of our RMG products was not affected," he said while inaugurating an art exhibition, "Art Against Corona", at the Bangladesh Shilpakala Academy.

He said at present, the readymade garment sector was doing better than other times, with Bangladesh exporting more than $3 billion worth of RMG products each month. AK Abdul Momen said the GDP growth of Bangladesh was the highest in Asia.

The growth has been recorded at 5.2 percent, although the World Bank and IMF projected it to be between 1.38 to 3.38 percent this year.

"This is a success beyond imagination. It's been proved that we are a heroic nation even during the coronavirus pandemic," the foreign minister said.

Source: thedailystar.net– Oct 28, 2020

HOME

****

NATIONAL NEWS

A Commerce Ministry for the 21st century

Specialised departments for trade policy, negotiations and industrial development are of vital importance

The Ministry of Commerce and Industry is tasked with navigating the complex web of issues to support India's industrial development and competitiveness, and its engagement with the global economy. This is a herculean task, and requires institutional depth and high levels of competence and domain expertise.

The world has changed radically in the last two-and-half decades, but the institutional structure and form of the Commerce Ministry has remained more or less intact. It is high time this Ministry was given a makeover that would allow for increasing specialisation and focus in keeping with its mandate.

Competent trade negotiators

The first suggestion is to create a specialised department focussed only on trade policy and negotiations headed by a Secretary. This department would be responsible for all negotiations for the WTO, FTAs, and other trade and investment related agreements. Unlike the current practice, senior officers including Joint and Additional Secretaries should have tenures of a minimum five years, and should be individuals with significant trade policy related experience.

Longer tenures would ensure institutional memory. India can ill afford to engage in complex negotiations in technical matters such as intellectual property, digital trade, or rules of origin with officers who have not had long exposure to these domains or trade negotiations.

Having a lead officer who until three months ago was managing the irrigation department in her State cadre square off with her European or Japanese counterpart who has spent the last decade of her life doing such negotiations is hardly the right strategy. Care has to be taken to logically reward officers who have invested in acquiring domain knowledge and expertise over the years with adequate promotions, irrespective of the cadre they belong to.

Competitiveness & value-chains

The second suggestion is to create a single department responsible for the country's industrial development and competitiveness. This would require bringing together of the mandates of the Director-General of Foreign Trade (DGFT), the Department for Promotion of Industry and Internal Trade (DPIIT). Special Economic Zones (SEZs) and Export Promotion Councils (EPCs) would also be under this department's ambit.

In a world defined by value-chains, the role of the DPIIT to inculcate industrial development and competitiveness has a natural interface with the DGFT's mandate for incentivisation of Indian exports and the role played by EPCs in trade promotion.

This new department, let us call it the Department of Industrial Development and Competitiveness, would lead to rationalisation of the overall policy making and interventions required to address issues of industrial development, sectoral strategies and incentives, and export promotion.

Interventions to support competitiveness require a single comprehensive strategy specific to every value-chain, and putting them in silos that differentiate between domestic and external markets, and between export promotion and domestic industrial policies is counter-productive. This integrated department would end this current silo approach towards competitiveness and industrial development.

Export sops, trade promotion

Moreover, there is need for restructuring the export incentives and trade promotion efforts. Export incentives should be replaced by schemes that reward firms for new product development, expanding into new markets, for job creation, or for significant achievements in value-addition. Managing such schemes credibly would have been impossible a decade ago due to lack of systemic access to data that measure such achievements.

But with the digital information available with GSTN, Customs ICEGATE, the RBI, Unique LIN linked to EPFO and ESIC, and the JAM trinity, this has become very easy. In fact, smart algorithms can use these databases to reward points to firms for value-addition, product diversification, new market development, or job creation, and these reward points could become the basis of incentives.

The incentives themselves could become more expansive in nature to include tax rebates, a system for lower-cost access to credit, and trade facilitation schemes. Dynamic MSMEs would be the biggest beneficiaries of such a transformation of incentive programmes.

Export Promotion Councils (EPCs) have been largely reduced to being event managers who occasionally lobby government on behalf of their sector. EPCs should be made responsible for systemically collecting data and commercial intelligence in their sector, mapping global market opportunities and potential sources of competition. These reports would also serve as invaluable inputs to trade negotiators working in the trade policy department.

The casual approach to commercial intelligence gathering by Indian missions abroad needs to change, and officers deployed need to be made accountable to specific EPCs, and their assessment should depend on an independent audit of the intelligence and leads they generated for EPCs annually. An anonymous committee drawn from industry members in EPCs should be made responsible for this audit.

EPCs should also be made responsible for actual buyer-seller matching, and successful conclusion of deals achieved due to their efforts should be formally certified by beneficiary member firms. The level of financial support and salaries of EPC staff should be directly linked to such certifiable success in deal making. Last, but not the least, a dedicated grievance redress mechanism for members who have not received adequate level of support or information from their EPCs should be set up, chaired by the Secretary of the department.

The third recommendation is that the Logistics Division should become a full-fledged department headed by a Secretary.

In addition to its mandate for providing holistic institutional basis to coordinate logistics infrastructure development, master-planning, and policy development, it should also be made responsible for Trade Facilitation.

There is an intrinsic link between logistics and trade facilitation, and keeping them in separate silos is counter productive. The Logistics Division should become the secretariat for the National Trade Facilitation Committee (NTFC), and be made responsible for framing the National Trade Facilitation Action Plan (NTFAP) and its implementation.

In order to infuse Customs related domain expertise, officers from Customs could be seconded to the Logistics Division to support the NTFC related activities.

Source: thehindubusinessline.com– Oct 27, 2020

HOME

****

Nitin Gadkari seeks Walmart 'guidance' for khadi, village industries to ramp up MSME turnover, exports

Trade, Import and Export for MSMEs: MSME Minister Nitin Gadkari on Tuesday sought Flipkart-parent Walmart's support for the growth of MSMEs based in khadi and village industries. Addressing the launch of a digital learning platform under Walmart Vriddhi supplier development programme for MSMEs on Tuesday, Gadkari asked for Walmart's 'cooperation' to support such businesses in order to ramp up MSME exports. "My request to the management of Walmart is if you can give guidance to our handloom, handicraft and village industries, (as) they have unique products, they are definitely going to give you more business (and) at the same time it will create job opportunities in India," said Gadkari.

Khadi and village industries FY20 turnover stood at Rs 88,887 crore of which the Khadi industry's turnover was Rs 4211.26 crore while the village industry's turnover was Rs 84,675.39 crore. Gadkari has already set a target of Rs 5 lakh crore turnover in the coming five years. MSMEs currently contribute nearly 50 per cent of India's export.

"The export is our target from MSMEs. Global corporates such as Walmart are making a great contribution to expanding the footprint of Indian MSMEs globally by sourcing from these enterprises and also helping the sector enhance its quality," Gadkari added.

The e-learning platform by Walmart would offer MSMEs online learning modules 'with a blend of teaching and assessment tools' apart from personalized feedback through virtual classrooms, formal assessments, and one-on-one advisory sessions.

The knowledge sessions would cover areas including business management, enterprise growth, customer-centric services, manufacturing best practices, etc. The Vriddhi programme was launched in December last year targeting to support 50,000 MSMEs. However, post-Covid, the programme was revisited to focus on the digital learning of MSMEs.

Source: financialexpress.com– Oct 27, 2020

HOME

****

Loan moratorium: Lenders to credit 'interest on interest' to borrowers by Nov 5, Centre tells SC

The Centre has informed the Supreme Court that lenders have been directed to credit in the accounts of eligible borrowers by November 5 the difference between compound interest and simple interest collected on loans of up to Rs 2 crore during the RBI's loan moratorium scheme.

The Ministry of Finance has said that after crediting this amount, the lending institutions would claim reimbursement from the Central government.

In an affidavit filed in the apex court, the government has said that the ministry has issued a scheme as per which lending institutions would credit this amount in the accounts of borrowers for the 6-month loan moratorium period which was announced following the COVID-19 pandemic situation.

Compound interest waiver

Under the scheme, all lending institutions (as defined under clause 3 of the scheme) shall credit the difference between compound interest and simple interest in the respective accounts of eligible borrowers for the period between March 1, 2020 to August 31, 2020, the affidavit said.

It said: The Central government has directed that all lending institutions described in clause 3 thereof shall give effect to the scheme and credit the amount calculated as per the scheme in the respective accounts of borrowers by November 5, 2020.

The affidavit was filed in the top court which is hearing a batch of pleas which have raised issues, including that of 'interest on interest', concerning the loan moratorium period.

The affidavit said the amount shall be credited by lending institutions irrespective of whether such eligible borrowers have fully availed or partially availed or have not availed of the moratorium viz. deferment in payment of instalments as per the circulars dated March 27, 2020 and May 23, 2020 issued by RBI.

After crediting the said amount in the respective accounts of eligible borrowers, the lending institutions would claim reimbursement from the Central government through the nodal agency of State Bank of India as stipulated under the scheme, it said.

It said the decision has been taken after careful consideration, keeping in mind the overall economic scenario, the nature of borrowers, impact on the economy and such other factors as a policy decision earmarking the above referred class of borrowers for grant of benefits .

On October 14, the apex court had observed that the Centre should implement “as soon as possible” the interest waiver on loans of up to Rs 2 crore under the RBI’s moratorium scheme and had said that the common man’s Diwali is in the government’s hands.

The Centre had earlier told the court that going any further than the fiscal policy decisions already taken, such as waiver of compound interest charged on loans of up to Rs 2 crore for moratorium period, may be “detrimental” to the overall economic scenario, the national economy and banks may not take “inevitable financial constraints“.

The Reserve Bank of India (RBI) had also filed an affidavit in the apex court saying that loan moratorium exceeding six months might result in vitiating the overall credit discipline , which will have a debilitating impact on the process of credit creation in the economy.

Initially, the RBI on March 27 had issued the circular which allowed lending institutions to grant a moratorium on payment of instalments of term loans falling due between March 1, 2020, and May 31,2020, due to the pandemic. Later, the period of the moratorium was extended till August 31 this year.

Source: thehindubusinessline.com– Oct 27, 2020

HOME

****

‘Prioritise clearance of cargo in long standing containers to ease exporters pain’

The empty container shortage and therise in ocean freight for shipping cargo containers in the wake of a sudden surge in exports has led to a hue and cry from exporters with the trade bodies calling for an agency to regulate the liners.

Sunil Vaswani, Executive Director, Container Shipping Lines Association (India), explains what led to this situation and what needs to be done. Excerpts:

Why are exporters angry?

This year the pandemic has created unprecedented circumstances for the trade globally. The shipping lines on their part have kept servicing the trade with vessel calls despite exports having been practically non-existent during the lockdown. Besides, the lines also independently offered extended free time on import containers and did all that they could to keep the supply chains functioning.

The pandemic has distorted the demand and supply situation globally. From India's perspective, the trade which was dominated by imports has now seen a sudden surge in exports and a drastic reduction in imports, something that no one really anticipated.

The reduction in India's imports from China has had a major impact on the availability of containers for exports. This has created a major imbalance in the equipment (containers) situation.

During July-Sept 2020, India's exports in terms of volumes grew by 24 per cent while its imports reduced by 28 per cent compared to the same period in 2019. As a result, the shipping lines which until July 2020 used to ship out empty containers from India, had to start repositioning empty containers into the country and move them inland to demand locations at a huge cost for the shipping lines.

This distortion in demand and supply, with its resultant impact on costs and rates, has not happened just in the case of India but in the case of the rest of the world too.

Besides, this is not just unique to container shipping but applies to airfreight as well.

Congestion at transshipment ports like Colombo, for instance, only adds to the lead time. The rail-road system in the United States is now congested causing delays of up to two days per container, adversely impacting the availability of empty boxes in other countries, including India.

Under the circumstances, does the CSLA have any suggestions to help improve the situation?

Currently, there are about 50,000 long standing containers waiting to be cleared across the country, some of them for years together. These need to be cleared by the Customs on priority so that they can be made available to the shipping lines for exports. This drive needs to be a consistent one and not just a one-off knee-jerk reaction.

How can the initial struggles with the roll-out of the Carotar Rules and face assessment of cargo be addressed?

The implementation of the "Carotar Rules", which allow Customs to check the antecedents of the importers have caused delays of 7-10 days in the assessment of the Bills of Entry, resulting in slow clearance and return of empty containers to the lines. Added to this is the delay caused by the faceless clearance introduced by Customs which takes up to 6/7 days to clear a Bill of Entry. This aggravates the shortage of containers for exports.

Associations like FIEO have suggested that the shipping lines reduce the free time on import containers so that empty containers could be made available for exports faster.

The 14-day quarantine imposed on vessels arriving from Chinese ports has resulted in ships having to wait for up to 3-4 days before berthing at Indian ports. This not only delays the discharge and the destuffing of import loads but also delays the availability of containers for export shipments.

This delays the whole cycle of several sailings put together and eventually results in a reduction in the number of sailings over a period of time, thereby causing a significant reduction in the number of export shipments.

The quarantine period for vessels arriving from Chinese ports needs to be reduced to 7 days as in the case of vessels arriving from other countries.

What about inland haulage issues?

It would also help if the Railways moved empty containers from ports to inland container depots free of cost to help reduce the empty repositioning cost for the exporters in the hinterland.

Besides, the benefit of the 5 per cent reduction in the freight for loaded containers announced by the Railways should be passed on to the shipping lines or end users.

There are suggestions that India should start manufacturing containers..
Manufacturing marine containers within the country would assist in the security of supply chains for exports. The government could consider making containers at state-run shipyards which already have the expertise in this. The government, though, would have to make this business viable through the lifting of fiscal hurdles.

What can the exporters do from their side to ease the situation?

It would help if the trade bodies/export promotion councils collected data from their respective members and furnished realistic advance projections of exports, origin/destination-wise, along with the type of equipment required, for at least an 8-12 week period, to the shipping lines, to enable themarrange for empty containers.

The current situation is not expected to last permanently but is unlikely to change overnight either.

Source: thehindubusinessline.com– Oct 27, 2020

HOME

****

Revival on, India will be fastest growing economy next year: FM

Key indicators are improving post the unlocking, says Nirmala Sitharaman

Finance Minister Nirmala Sitharaman expects the Indian economy to be among the fastest growing the next year. Speaking at the India Energy Forum by CERAWeek on Tuesday, Sitharaman said economic growth may be zero or even in the negative this year because of the Covid-19 lockdowns. “There was a very firm lockdown because we put our lives before livelihood. We wanted to ensure that preparatory work for tending to the pandemic should be done in the first quarter.

As a result, there was a contraction which happened during the first quarter and post which the unlocking has been steadily happening. We can see the revival now, particularly in the Purchasing Managers’ Index (PMI), which shows a spurt in the number, the highest after 2012,” she said adding that it is going to be steady and sustainable.

“If this happens within the third and fourth quarter, we expect that the overall GDP growth, notwithstanding the pandemic, should be somewhere in the range predicted by the International Monetary Fund (IMF),” she said. In its latest World Economic Outlook, the IMF further cut growth forecast by projecting contraction at 10.3 per cent for FY21. This is the second downgrade for India by the IMF after it reversed its forecast of 1.9 per cent growth in April to a 4.5 per cent contraction in June for 2020-21.

“Even if it is going to be in the negative or near zero this time, the next year will very clearly have India as one of the fastest growing economies. We are looking at that kind of a trajectory. Indicators show that primary sector, related sectors of agriculture, rural India are doing well.

Energy sector investments

On the steps for investments in the energy sector, Sitharaman said, “We are investing in strategic reserves, not just domestic, but also in (oil and gas) fields outside of India. We will be part of the global value chain in such a way that we are able to play a part in the (crude oil and natural gas) price determination… .”

"We have encouraged all the provinces to ensure energy efficiency, adoption of LED in households, distribution of Liquefied Petroleum Gas for cooking, which will reach every household before 2023. And making sure that every village gets electrified so that no fossil fuel is going to be used," she added.

Sitharaman said the Centre is offering incentives to the States so that the distribution networks are far more efficient, there are no pilferages and no transmission losses. She said old-fashioned thermal units will be shut down and efficient gasification will drive the country's energy requirements.

Source: thehindubusinessline.com– Oct 27, 2020

HOME

****

Cotton futures up nearly 1% to Rs 19,430 per bale

Cotton futures traded firm at Rs 19,430 per bale on October 26 after declining nearly 3 percent on the MCX in the previous session.

Mohit Vyas, Analyst at Kotak Securities, said, "After giving positive returns in 16 out of last 17 weeks, some profit booking was inevitable in cotton." Cotton had rallied over 25 percent in the last three months.

Indian cotton trades at 8-9 percent discount from Cotlook A prices of 77.75 cents as on October 23. Procurement of cotton is likely to be delayed by 10-15 days in Maharashtra and Telangana because of rains, a senior official of Cotton Corporation of India.

Farmers have sown cotton across 13.04 million hectares in 2020-21 (July-June) season, up by 2.1 percent from a year ago, as of September 25, according to the farm ministry.

In the futures market, cotton for October delivery touched an intraday high of Rs 19,600 and a low of Rs 19,350 per bale on the MCX. So far in the current series, the commodity has touched a low of Rs 16,060 and a high of Rs 19,930.

Cotton futures for October delivery edged up Rs 180, or 0.94 percent, to Rs 19,430 per bale at 16:16 hours IST on a business turnover of 118 lots. The same for November contract rose Rs 250, or 1.28 percent, to Rs 19,730 per bale on a business volume of 976 lots.

The value of October and November's contracts traded so far is Rs 3.79 crore and Rs 12.97 crore, respectively.

Departing monsoon is likely to keep new crop arrivals significantly higher in coming weeks, which may also keep cotton under check going forward, Kotak Securities said.

At 10:51 (GMT), US cotton futures were trading up 0.35 percent at 72.36/pound on Intercontinental Exchange (ICE).

Source: thehindubusinessline.com– Oct 27, 2020

HOME

****

VOC Port rolls out Direct Port Entry facility 24x7 for factory-stuffed containers

A Direct Port Entry (DPE) facility was inaugurated at the VO Chidambaranar (VOC) port in Thoothukudi to help reduce logistics cost. The VOC Port Trust has developed the DPE facility to enable the export clearance of factory stuffed e-sealed containers on a 24x7 basis resulting in faster and cost-effective export admittance.

The port trust has entered into an MoU with Central Warehousing Corporation (CWC) to operate the facility for 30 years and the Customs department has also approved operating the DPE facility in the port, says a press release.

Union Minister of State for Shipping (I/C) Minister Mansukh Mandaviya inaugurated the DPE facility through a video-conference.

It will help in increasing Ease of Doing Business for the exporters as the facility will bring efficiency and reduce dwell time, lower tariff cost and improve the competitiveness of shippers in international trade.

The facility has been created in an area of 18,357 sqm inside the truck parking terminal, which was developed under the 'Sagarmala' for issuing customs clearance of export cargo - factory stuffed/e-sealed containers. It can handle 18,000 TEUs per month.

The DPE facility will generate the Let Export Order under a single roof without any hassle. A dedicated team of CWC and Customs and Customs officials, in association with VOC Port, will serve tier-II, tier-III (AEO) certified EXIM clients, says a release.

Earlier, the factory stuffed (self-sealed) containers were taken to one of the container freight stations (CFSs) / Inland Container Depot operating in Thoothukudi. As the CFSs operated between 10 am and 8 pm on working days only, there was considerable delay in admitting the self-sealed export containers into the container terminals. The DPE facility will ensure 24/7, the release said.

Source: thehindubusinessline.com – Oct 27, 2020

HOME

****