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INTERNATIONAL NEWS

Britain says it will sign free trade deal with Turkey this week

The two nations will sign a deal that replicates the existing trading terms between Ankara and London, but British trade minister Liz Truss said that she was hopeful a bespoke deal between the countries could be struck soon.

Britain and Turkey are set to sign a free trade deal on Tuesday, the U.K. trade ministry said on Sunday, the first since Prime Minister Boris Johnson secured a new trade agreement with the European Union.

The two nations will sign a deal that replicates the existing trading terms between Ankara and London, but British trade minister Liz Truss said that she was hopeful a bespoke deal between the countries could be struck soon.

“The deal we expect to sign this week locks in tariff-free trading arrangements and will help support our trading relationship. It will provide certainty for thousands of jobs across the U.K. in the manufacturing, automotive and steel industries,” Ms. Truss said in a statement.

“We now look forward to working with Turkey towards an ambitious tailor-made UK-Turkey trade agreement in the near future.”

The trading relationship was worth 18.6 billion pounds($25.25 billion) in 2019, and Britain said it was the fifth biggest trade deal the trade ministry had negotiated after agreements with Japan, Canada, Switzerland and Norway.

Britain has now signed trade agreements with 62 countries ahead of the end of the Brexit transition period on Jan. 1, when it leaves the EU’s trading arrangements.

It clinched its narrow trade deal with the EU, its biggest trading partner, last week.

Source: thehindu.com– Dec 28, 2020

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Cambodia extends financial support programmes for 3 months

The Cambodian government recently extended its financial support programmes to aid the garment and textile industry, tourism sectors and poor people for three more months from January to March. This is the seventh installment of government support to both the private and public sectors, which have been severely affected by the COVID-19 pandemic.

according to a government statement, countries around the world, the government has decided to continue to provide $40 per month to workers in the garment, textile, footwear and travel product sectors for three months. Factory owners in this sector also have to pay an additional $30 per worker so that a worker gets a total of $70 per month.

The government will also continue to exempt all types of monthly taxes for hotels, guesthouses, restaurants and travel agencies registered with the general department of taxation and have business activities in Phnom Penh, Siem Reap, Sihanoukville, Kep, Kampot, Bavet and Poipet provinces for an additional three months, a Cambodian newspaper reported.

The IDPoor scheme will also continue over this period.

The ministry of finance said the government has provided approximately $175 million to more than 700,000 poor and vulnerable families till now.

Source: fibre2fashion.com– Dec 26, 2020

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Germany to offer tech help to Pakistan for textile sector

Germany recently signed an agreement with Pakistan to offer technical assistance worth Rs 1.95 billion to promote resilience against impacts of natural disasters and improveing labour, social and environmental standards in the textile industry. Economic affairs secretary Noor Ahmed and German ambassador to Pakistan Bernhard Schlagheck signed the agreement.

The ambassador expressed his desire to enhance economic cooperation with Pakistan in future.

The aim of the first project under the agreement is to technically equip disaster management authorities to support in development planning and implementation to reduce disaster risks.

The second one is aimed at improving the framework conditions for the implementation of labour standards in Punjab province, an official press release said.

Source: fibre2fashion.com– Dec 26, 2020

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2020: East Asia moves towards more free trade

China, South Korea and Japan—all dominant players in the textile and garment industry—are among the countries that have signed the Regional Comprehensive Economic Partnership (RCEP). The agreement will be the first to bring the three nations together under a single FTA platform. The year that was also saw South Korea and Vietnam stepping up trade cooperation.

The Chinese economy—the world's second-largest—shrank by 6.8 per cent in the first quarter of 2020 compared with a year ago. The contraction was the first economic shrinkage acknowledged in official statistics since 1976. But China is the only country in the world whose industry witnessed the quickest revival after being the first to be hit by the novel coronavirus, writes assistant editor Dipesh Satapathy in the January 2021 edition of Fibre2Fashion as he looks back at the year that was.

Meanwhile, Taiwanese enterprises continued investing in Vietnam's garment-textiles and footwear industries in 2020 to take advantage of the opportunities offered by FTAs that the latter has signed. In April, the Taiwan Textile Federation (TTF) claimed transforming the country from a surgical mask importing country to the second-largest surgical mask manufacturer in the world with a daily production capacity of 15 million units.

In Japan, the pandemic-induced lockdowns badly affected several top apparel retailers. Apparel maker Renown Inc will go into liquidation amid plunging sales, it announced in November. Manufacturer and retailer Fast Retailing posted a 12.3 per cent decline in its revenue to ¥2,008.8 billion

during fiscal 2019–20 that ended on August 31 compared to ¥22,90.5 billion in previous fiscal.

As labour costs in South Korea are relatively higher, many South Korean labour-intensive businesses were seen moving their operations from China to Southeast Asia, especially Vietnam, due to rising labour cost in China.

Source: fibre2fashion.com– Dec 26, 2020

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UKFT welcomes Brexit deal with EU

The UKFT has welcomed UK's free trade agreement (FTA) with the EU—the UK fashion and textiles industry's biggest market. The UKFT said it is relieved that the deal has been finalised as it shall help secure the £7.4 billion of fashion and textiles that the UK sells to the EU every year, while helping to secure thousands of jobs and hundreds of companies.

"However, while the deal is extremely welcome and provides some clarity, there is still much that companies need to do, as the trading environment with the EU will be very different even with this deal.

"UKFT urges the government to actively help the sector meet the challenges it will face in the immediate future and to invest in the long-term future of the industry in the UK," the association said in a press release.

"I am delighted that a deal has been agreed. While we need to see the detail of the deal to fully understand the implications, UKFT will be working with its members to help the industry maintain and grow its exports to the EU and the rest of the world," said UKFT chairman Nigel Lugg.

Source: fibre2fashion.com– Dec 26, 2020

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China to reduce sliding tariffs on cotton cargoes

Beginning next year, the Government of China will marginally reduce sliding tariffs on cotton cargoes imported under additional quotas, the finance ministry said. Further, the number of products that can be imported under temporary import tariffs, which are lower than the most-favoured nation tariffs, would be increased from 859 to 883, beginning January 1.

The reduction of sliding tariffs would lower cost of importing cotton fibre into China.

In addition, the most-favoured nation rate, conventional tariff and provisional tariff on some commodities would be adjusted from January 1, the Customs Tariff Commission of the State Council said.

For the next phase of economic development, the government would adopt a 'dual circulation' approach, relying mainly on 'domestic circulation', supporting innovation and upgradation in local manufacturing, distribution and consumption cycle, the ministry said.

China's 'dual circulation' strategy, unveiled earlier this year, refers to the parallel emphasis on domestic and global circulation.

Source: fibre2fashion.com– Dec 26, 2020

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Trading to start under AfCFTA from January 1, 2021

The trading phase under the African Continental Free Trade Area (AfCFTA), signed by 54 of the 55 countries in Africa, is set to begin from January 1, 2021. The deal unites an estimated $3 trillion market, and could help to realise more than $84 billion in untapped intra-African exports, according to a new report by the African Export-Import Bank (Afreximbank).

For Intra-African trade, 90 per cent of all goods will become tariff free from January 1 for all the countries that have deposited their instruments of AfCFTA ratification with the chairperson of the African Union Commission (AUC). A total of 36 countries have already completed this procedure.

"If the export potential is tapped under the deal, intra-continental trade could rise to more than $231 billion, or about 22 per cent of total African commerce, even if all other conditions remained the same," Afreximbank said in its report.

With all the African countries, except Eritrea, participating, the AfCFTA would have the largest number of member countries in any trade deal since the formation of the World Trade Organization. By creating a single market, the deal will deepen the economic integration of the African continent, and move towards the establishment of a future continental customs union.

By giving a boost to intra-regional trade in manufacturing, AfCFTA is expected to increase employment opportunities, and help women get into the workforce. It can result in gradual altering of global supply chains, especially for products that require relatively lesser skills.

Source: fibre2fashion.com– Dec 26, 2020

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Pakistan: Exporters unable to finalise export orders due to unavailability of fabric

Pakistan Readymade Garments Manufacturers & Exporters Association (PRGMEA) has said that a huge number of export orders are being received by the value-added garment industry, however, exporters are unable to finalise them due to unavailability of fabric, especially the denim fabric in the country.

PRGMEA (NZ) vice chairman Adeeb Iqbal urged the government to also abolish duties on the import of fabrics as well as the denim fabric in line with the import relaxation provided on import of cotton yarn, as value-added garment sector is facing severe shortage of basic raw material of fabrics, which may lead to a drastic decline in value-added textile export.

He said that it was the right decision to remove Regulatory Duty on import of cotton yarn, which will accelerate the country's textile exports but unfortunately the garment, which is the major sector of textile chains, has been neglected, as the reduction in yarn import duty will not benefit it.

It is unfortunate that the government's cotton policy has reduced the country's cotton production target from 14 million bales to 9 million bales. He said that the cotton crisis in Pakistan was the biggest threat to the value-added textile sector. The government resolved the issue timely by abolishing import duty on yarn to avoid the closure of the textile industry and a loss of jobs of millions of workers, he said.

"The government should now take the notice of shortage of fabrics, as foreign buyers were demanding shipments from them in 45 days while mills were giving them denim fabric in three months. In such a situation how they can fulfill orders," he asked.

Adeeb Iqbal said that the textile sector is an important sector of the industrial economy and problems of this sector should be resolved on priority basis. He said that huge export orders have come in the textile sector and the economy cannot afford to close the factory even for a day.

He said that the country is facing another severe wave of coronavirus and corona cases have been on the rise. He said that government guidelines are being fully implemented to keep the wheel of the industry running smoothly.

He called for taking steps for the removal of hurdles hindering exports of garment sector. He said that due to non-availability of latest fabric locally the garment sector currently has a limited product line for export market, adding that foreign buyers were demanding new garments on G3, G4 and technical fabric raw material which are neither available nor produced by Pakistani weavers.

Source: nation.com.pk– Dec 26, 2020

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Pakistan: Business remains steady on cotton market

The local cotton market remained stable on Saturday. Market sources told that trading activity was low. Cotton Analyst Naseem Usman told that Ministry of Commerce, after revising the initial draft, has finally submitted the Textile Policy 2020-25 to the Economic Coordination Committee (ECC) of the Cabinet for approval. As per the proposed policy ministry proposes incentives worth Rs 900bn.

Naseem also told that textile exports of Pakistan seem to have stabilized substantially from the Covid-19 pandemic shocks and are still increasing. Recent monthly data released by the Pakistan Bureau of Statistics for the first four months of the current financial year shows that exports of textiles and garments are back on a pace of growth in terms of both supply and market price.

The statistics show that between July and October, textile shipments rose by 3.8% to $4.8 billion from $4.6 billion a year earlier. The increase in the textile and clothing group was a week faster than the overall export rise of 0.6pc. In the knitwear, home textiles and denim categories, the export recovery is most pronounced.

In some of these cases, there is also a major decline in exports of basic textile goods such as yarn and grey cloth, signaling that more value-added items are being exported by the country than ever before.

It also represents a shortage of raw materials due to an incredibly low cotton harvest this year for the value-added industry. Furthermore, due to a sharp drop of 37.6pc in cotton arrivals for ginning to 4.6 million bales by December 3, local cotton prices have peaked to a 10- year high compared to 7.4 million bales last year.

Naseem further told that this year especially 200,000 bales will be imported from Afghanistan. Moreover, Phutti in abundance is also coming from Afghanistan. Sources told that Phutti equillant to 10,000 bales has reached Pakistan.

Phutti in few factories of Dera Ghazi Khan were coming from Afghanistan but this year Phutti in abundant quantity from Afghanistan has arrived in ginning factories of Punjab, Sindh and Balochistan. Seed companies are

buying banola of Afghani cotton from ginners which will be grown locally in coming season.

Naseem told that 1200 bales of Shahdad Pur were sold at Rs 9400 per maund, 1000 bales of Jam Sahib were sold at RS 9300, 100 bales of Rohri were sold at Rs 9800, 1800 bales of Khair Pur were sold at RS 9700 to RS 9800, 200 bales of Mir Pur Mathelo were sold at Rs 9900, 200 bales of Ghotki were sold at Rs 9925, 800 bales of Rahim Yar Khan were sold at Rs 10,200 to Rs 10,400, 200 bales of Liaquat Pur were sold at Rs 10,300 to Rs 10,350, 6000 bales of Sadiqabad were sold at RS 10,000 to Rs 10,200 and 1600 bales of Yazman Mandi were sold at Rs 9700 per.

He told that rate of cotton in Sindh was in between Rs 8800 to Rs 10,000 per maund. The rate of cotton in Punjab is in between Rs 9500 to Rs 10,300 per maund. He also told that Phutti of Sindh was sold in between Rs 4000 to Rs 4700 per 40 kg. The rate of Phutti in Punjab is in between Rs 4000 to Rs 5200 per 40 Kg.

The rate of Banola in Sindh was in between Rs 1500 to Rs 1825 while the price of Banola in Punjab was in between Rs 1600 to Rs 2200. The rate of cotton in Balochistan is Rs 9200 per maund.

The Spot Rate remained unchanged at RS 9950 per maund. The price of Polyester Fiber was increased by Rs 5 per kg and was available at Rs 173 per Kg.

Source: brecorder.com– Dec 27, 2020

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Bangladesh: Balancing global and regional value chains for RMG industry

As the Covid-19 pandemic ravages global production and trade linkages, the policy makers are increasingly exploring the possibilities of shifting more towards regional value chains (RVCs) from global value chains (GVCs) as pathways to sustaining export growth.

Bangladesh's RMG and apparel sector is one of the country's biggest growth drivers with a global apparel market share of 6.8 per cent in 2019. The sector accounts for about 84 per cent of the country's total exports and employs nearly 4 million people of which 61 per cent are women.

The country's RMG and apparel industry has seen a devastating impact of Covid-19. Cancelled orders, unsold stock and declining demand have led the sector to struggle for sustaining its past successes at expected levels.

Bangladesh's close competitor in the RMG market is Vietnam which had 6.2 per cent of the global market share in 2019; and Vietnam managed to achieve strong export growth since the late-2019. Vietnam has also shown better performance than Bangladesh in containing the Covid-19 pandemic and is currently threatening rather successfully to capture Bangladesh's position as the 2nd largest exporter of RMG after China.

Vietnam has also entered into a free trade agreement (FTA) with the EU in August 2020 which is the most comprehensive agreement that EU has ever concluded with a developing country. At present, only 42 per cent of Vietnamese exports to the EU enjoy zero tariffs under the GSP. It will be almost 99 per cent elimination of duties after the FTA. The EU is also a major export destination for Bangladesh's RMG.

Bangladesh is yet to negotiate a similar FTA or bilateral trade agreements once the GSPs are removed. Vietnam's RMG export basket is also more diversified with relatively higher value-added products than Bangladesh; and per hour labour productivity per worker is 19 per cent higher in 2016--USD 4.09 in Vietnam compared with USD 3.45 in Bangladesh as estimated by the Asian Productivity Organisation (APO). It is more likely that Vietnam still holds this advantage although the labour cost is lower in Bangladesh. It is therefore high time for Bangladesh's RMG sector to regain its position of power and adopt a sustainable pathway for going forward.

Along with sustained low labour costs, Bangladesh's big advantage is its leadership in LEED (Leadership in Energy and Environmental Design) certified green RMG with 91 LEED-certified factories in Bangladesh, which is higher than in any other country. Of the 10 highest rated LEED-certified factories in the world, six are located in Bangladesh. These give a preference on the part of the foreign buyers and investors for importing RMG from Bangladesh and treat the country as a lucrative destination for FDI. On the other hand, some critical constraints for Bangladesh are that the country does not have a diverse range of export destinations and possesses a low product range of RMG and low labour productivity.

At present, the urgent need for Bangladesh is to secure FTAs or bilateral trade deals to expand the access of its RMG to multiple destination markets. China has announced a tariff exemption for 97 per cent of Bangladesh's products in July 2020 which provides an excellent opportunity to benefit from trading with China and adopt more advanced production processes and technology from China to move up in the ladder of global RMG market. The key for Bangladesh will be to take the advantage of being a world leader in Green RMG to add higher value to its RMG products. In particular, Bangladesh's RMG sector will have to provide more attention towards maintaining factory standards and labour welfare regulations to overcome the disruptions in the post Covid-19 world.

Since its beginning, Bangladesh's RMG exports are led by the GVC-led production and distribution channels. The process has been characterised by cross-border fragmentation of production processes, which entails specialisation in a narrower range of tasks by domestic firms organised within the global production networks. With limited productive capacities, integrating with GVCs has provided wider trade opportunities for Bangladesh's domestic RMG industry to gain access to new markets through specialising in a single or limited number of tasks in the production chain.

The typical feature of the GVC-oriented RMG is that the firms in Bangladesh focus mainly on manufacturing (processing) activities, while research and design (R&D) for product development is provided by the global brands or importers in the developed country markets, raw materials are sourced from a cheaper source in another country, and marketing and after sales services are provided by the providers in countries where the consumers are located (this is called the 'smile curve' process). The issue for Bangladesh is that the manufacturing stage in the smile curve generates

very little value in proportion to the retail prices paid by the consumers of the RMG products.

With a huge advantage in terms of cheap labour, Bangladesh is mostly involved in two low-value stages of cut, make and trim (CMT) and original equipment manufacturing (OEM)/free on board (FOB). In short, most of Bangladesh's RMG export does not fall under the high-value added models, such as original design manufacturing (ODM) and original brand manufacturing (OBM). Thus, Bangladesh is mostly known as a source of low-cost garment items in bulk rather than a source of relatively high-priced garment products sold by the global brands.

Thus, the key for Bangladesh in RMG upgrading is to move up the GVCs through developing product and process upgradation capabilities. Product upgrading involves producing high value garment items by moving into higher segments of the value chain, while process upgrading requires advancing production methods using better and modern technologies and more skilled labour force. Although Bangladesh has made a beginning, still it needs to go a long way in both upgradation processes.

Further, the impending graduation from the LDC status, which represents a major development transition for Bangladesh, also gives rise to concerns about the adverse implications of the loss of access to various support measures on RMG export such as duty-free market access and relaxed rules of origin (ROO) provisions in the EU. Bangladesh's RMG industry needs to go for industrial upgradation within GVCs including automation and deepening of capital-intensive techniques for promoting export competitiveness of its products.

It is true that the GVCs are making important contributions to the growth of the export-oriented RMG in Bangladesh since the 1980s including rapid expansion of women employment in the industry. On the other hand, the role of RVCs has been rather limited--the strength of which lies in supporting higher-value activities, such as design and branding.

At present, the heightened uncertainty unfolding in the GVCs due to recent trade wars and the Covid-19 pandemic has forced several stakeholders to give a new look at RVCs as complementary drivers of RMG. In this context, the major route is to strengthen intra-regional trade and RVCs for which designing of optimal regional policies is the key to move forward.

In Bangladesh, no serious study is available in the textiles and apparel sector on the value chain directionality of firms - their orientation to different value chains - and how these affect upgrading opportunities and outcomes. Further, only limited knowledge exists on the impact of industrial and trade policies on firms' incentives to capitalise strategically on the benefits created by different types of value chains. Available evidence from other countries suggests that various types of value chain offer distinct opportunities for upgrading, job creation, and development of backward linkages to domestic and/or regional suppliers.

In general, GVC-oriented RMG make the greatest contribution to current job creation and export growth. But the focus is mostly on a narrow range of lower-value products. On the other hand, the RVC-oriented RMG are likely to be more involved in a wider range of product categories and related activities, including vertical integration to the textiles sector producing own yarn and fabric inputs and higher-value activities involving design and branding. These RMG are also more likely to source inputs from the regional markets.

Over the years, Bangladesh's RMG have experienced significant economic and social upgrading; but weak linkages with the RVCs still preclude the industry to avail the full advantages of these regional networks as stepping stones to more demanding but lucrative global markets. A successful RVC-oriented RMG firm can build its capabilities, to begin with, as an own-brand manufacturer in the domestic market, then learn to export by serving the regional market, before meeting the tough requirements and competition of the global market.

In practice, all RMG firms undergo process upgrading, but GVC-oriented firms remain closest to the technological frontier. The reasons are manifold. The high degree of process upgrading (and low level of functional upgrading) by GVC firms is partly due to its nature of ownership. Most of the GVC-oriented firms are either foreign-owned or under foreign-partnerships where higher value activities are reserved for their overseas parent companies.

In terms of policy, rents allocated through multi-scalar industrial and trade policies (e.g. removal of tariffs under regional trade agreements) both at the regional and global levels can be critical for RVC-oriented RMG. For the RMG industry, Bangladesh needs to carefully assess the implications for the design of ROO and similar initiatives such as whether to opt for double transformation requirements or the more relaxed single transformation

rules allowing manufacture from imported inputs. Often, the more relaxed single transformation rules favouring regional RMG export might result in backward linkage effects (e.g. more new investments in textiles). The relaxed single transformation rules of origin can allow Bangladesh's RMG manufacturers to import their inputs but still benefit from the duty-free market access to the major importing countries.

With the graduation of Bangladesh from the LDC status in the near future, it is high time for the GVC-oriented RMG firms to reconsider their business models since the uncertainty over the future course may reduce incentives for new investments and the investors may prefer to wait for policy stability. A key concern for the policymakers will be to secure the continuity of market access in the developed countries without exposing the domestic RMG producers to additional competition.

At the present level of development of the country's RMG industry, the value chain directionality matters for Bangladesh. Although GVC-oriented firms have made the largest contribution to the growth of RMG industry in the past, global experience suggests that the RVC-oriented RMG firms perform a wider range of higher-value activities, have greater incentives to move towards high value products, procure more inputs locally, and have a tendency to engage more in end-market upgrading. The key for Bangladesh's policy will be to redefine the country's multi-scalar industrial and trade policies to strategically combine the benefits of both types of value chain.

Source: thefinancialexpress.com.bd– Dec 25, 2020

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Bangladesh: Covid poses challenges for LDC graduation

Bangladesh is set to graduate from the group of the least-developed countries but will face some challenges during the transition period because of the devastating impacts of the coronavirus pandemic, said a United Nations agency.

The United Nations Conference on Trade and Development (Unctad) said the emergence of the pandemic and the ensuing global recession had interrupted a period of rapid economic growth. "Yet, the country has so far weathered the crisis relatively well and appears set to record positive GDP

growth even in 2020, notwithstanding a sharp slowdown in economic activity."

Before March this year, the Unctad had assessed Bangladesh's vulnerability profile based on the pre-Covid data of the economy to determine the graduation criteria.

The sudden onslaught of the Covid-19 from March onwards has badly impacted the global economy and also Bangladesh, leading the UN body to come up with a separate vulnerable profit. It shared the findings with the government on December 10 and suggested for addressing some challenges during the transition period for smooth and sustainable graduation.

The government is preparing a position paper to be placed in the second triennial assessment on the country's graduation by the UN Committee on Development Policy in January.

According to the Unctad's latest profile, despite all the positives of the past decades, some deep-seated challenges continue to linger on Bangladesh's sustainable development prospects, notably the modest progress in terms of export diversification, and the elusive quest for adequate sustainable development finance.

These challenges are made even more formidable by the fallout from the pandemic, which threatens to leave long-lasting scars on the world economy, making the international environment less conducive.

The emerging mega-trends such as climate change and digitalisation are bound to exert wide-ranging implications for the future development trajectory of developed and developing countries alike.

Despite the new challenges, Bangladesh is scheduled to graduate to a developing nation in February as the country has already extraordinarily outperformed in all the three criteria. The transition period will end in 2024.

The Unctad said that notwithstanding Bangladesh's success in strengthening its overall export capacities, the evidence points to limited progress in product diversification. The clothing items contributes 85 per cent of gross exports.

If there is indeed some untapped scope for product differentiation, alone this is unlikely to provide a decisive spur to an industry that has relied

largely on cost- competitiveness and preferential access to developed markets.

Estimates of the impact of losing LDC-specific preferential market access range between 7 per cent and 14 per cent of exports, with the bulk of the reduction impinging on textile and clothing exports to developed markets, where changes in tariffs would be relatively more adverse.

Similarly, large tariff differentials, coupled with persistent infrastructural and logistics bottlenecks, are bound to entail a serious blow to an industry for which these dimensions represent major drivers of international trade and investment flows.

Rubana Huq, president of Bangladesh Garment Manufacturers and Exporters Association, has sought 10 years as the transition period for Bangladesh as the domestic economy, employment and export were severely affected by the pandemic.

The Unctad's profile also said if Bangladesh is to continue its remarkable growth performance, the country has to diversify into gradually more complex products.

The advent of robotisation and industrial digitalisation also questions the sustainability of Bangladesh's progress in bolstering its productive and export capacities.

These so-called "mega-trends" – which have in many ways accelerated in the wake of Covid-19 – are expected to trigger far-reaching reconfigurations in existing global value chains, reducing heightened dependence on key suppliers, encouraging reshoring and regional embeddedness, and potentially weakening the importance of low-labour cost competitiveness.

Unlike in many other countries, in the case of Bangladesh, this resilience appears to be vindicated also in the context of the Covid-19 crisis and ensuing global recession.

"If the outlook in 2020 appears to be reasonably encouraging, however, this might be at least partly due to idiosyncratic factors; the medium-term future remains far more uncertain," the Unctad said.

With the impact of the pandemic still weighing down economic prospects for 2021, global labour markets are unlikely to rebound quickly, especially

in key destinations for Bangladeshi migrants such as the Gulf nations, the United Kingdom, the European Union and the United States.

"These prospects loom large on the remittances outlook."

Bangladesh growth performance in the last 10-15 years has been characterised by a considerable investment push, with the investment-to-GDP ratio consistently exceeding 25 per cent of GDP since 2006, and reaching 31 per cent prior to the Covid-19 shock.

"There is little doubt that this trajectory is consistent with the economy's need to redress supply-side bottlenecks, especially in terms of infrastructural provision."

The Covid-19 shock entails an even darker outlook in relation to Bangladesh second-largest source of external financial resources, namely official development assistance flows, the profile said.

Over time, inward foreign direct investment flows have climbed up in absolute terms, but since the early 2000s, they have represented not more than 4 per cent of gross fixed capital formation.

The UN body said in the context of LDC graduation, it is all the more important that phasing out of LDC-specific international support measures does not disrupt the promising trajectory on which Bangladesh has embarked.

It called for strengthening domestic resource mobilisation, bolstering investments in climate-resilient and digital infrastructures, sustaining investments in human capital, supporting technological up-gradation, continuing fostering rural development and adopting a proactive industrial policy framework.

Source: thedailystar.net– Dec 25, 2020

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Bangladesh: 2020 was possibly the worst year for garment exporters

The year 2020 will most likely go down as the worst in Bangladesh's 40-year-old garment industry, the main export earner and a source of livelihood 4 million, mostly underprivileged women.

And the reasons are both of its own making and also beyond its control.

The country's garment exports were lagging when the year started and coronavirus was lurking in the shadows. Its standing as the world's second-largest apparel supplier was under threat, with Vietnam and India hot on its heels.

In January, garment exports were down about 3 per cent year-on-year, and in February 4.3 per cent, suggesting the sector, which contributes more than 11 per cent to Bangladesh's GDP, had its tail down even before the global coronavirus pandemic took root and the order cancellations began to pour in.

The pandemic simply exacerbated the sector's woes, leaving it tottering now.

"It was a year of trepidation and angst," said Rubana Huq, president of the Bangladesh Garment Manufacturers and Exporters Association, the sector's apex trade body. Discounts, deferred shipments and cancellations became the discourse.

About 1,150 apparel makers faced order cancellations or deferred shipments worth $3.18 billion, according to data from the BGMEA.

Eventually, the brands reinstated 90 per cent of the orders.

"But we still had to face the back-to-back liabilities of $1.96 billion, which remain unpaid because of either the buyers not paying or for their bankruptcies," she added.

Just as the sector was getting back up from the pandemic knock, on came the second wave of coronavirus cases in the US and the EU, the two main destinations of garment shipments from Bangladesh.

No data is available yet on the order cancellations or held orders for the second wave.

Bankruptcies, production halt for the lockdown and order cancellations by the buyers both in the first and second phase of Covid hit the sector hard, said SM Khaled, managing director of Snowtex.

“We could not produce for a month and factory efficiency also fell due to the pandemic. We exported but the profit margins were squeezed to one-third of normal.”

As a result, the sector could not achieve even 50 per cent of the target set for 2020, Khaled added.

In the first 11 months of the year, garment shipments fetched $24.8 billion, down 17.6 per cent year-on-year, according to data from the Export Promotion Bureau.

Meanwhile, lukewarm retail sales in much of the Western world even after the lockdowns were lifted meant the volume of work orders that were freshly placed was lower than normal.

For instance, in October, apparel goods sales in Europe and the US dropped 13 per cent.

Marred with order shortage a good number of factory owners decided to shutter their factories either temporarily or permanently. This took away the livelihoods of scores of workers.

About 300 factories were shuttered this year, according to the BGMEA. about 70,000 workers were employed, who lost jobs.

In addition, 101 knitwear factories belong to the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) failed to export directly and kept production off for the same reasons.

About 25,000 workers were displaced by the closure. A small portion of workers managed to get a job in another factory but the lion’s share remained unemployed.

“To the best of my knowledge, there is still a shortage of workers in the sector. Though some workers lost jobs they managed to get jobs in other factories,” said Fazlee Shamim Ehsan, a BKMEA director.

However, if the situation does not improve in 2021, there is a risk to employment as the sector is suffering from a work order shortage, said Ehsan, the owner of Fatullah Apparels.

The bankruptcy of buyers was a curse for the suppliers as they failed to realise the payments.

Bangladeshi suppliers of busted Western retailers Debenhams, JCPenney and Arcadia Group are on tenterhooks as they have no idea when they would be getting the payments for the goods they have already shipped or manufactured.

The garment exporters are owed upwards of $84 million by the three companies, according to sector people.

“Still I am waiting for the payment as the buyer declared bankruptcy. It is not clear whether I will be able to realize full payments or not,” a supplier told Dhaka Tribune on condition of anonymity.

The supplier had to pay for the raw materials for the work orders out of his own pocket as well as the operational costs.

“I have an enormous hole in my books,” he added.

On top of that, the price cuts by the retailers and discounts on shipped goods rubbed salt on the wounds of the exporters.

The factories were run with 30 per cent less capacity and it was tough to bear the operational costs, said Abdus Salam Mureshedy, president of the Exporters Association of Bangladesh (EAB).

Amid this crisis, the global retailers demanded 25 to 30 per cent discount on shipped or in progress goods.

“That was a double blow,” he added.

As per BGMEA data, the prices of apparel goods exported from Bangladesh to the world declined 2.1 per cent during January-September of 2020 from a year earlier.

In September alone, the prices of clothing goods fell 5.2 per cent

However, the sector remained afloat thanks to the government's rescue package of Tk 5,000 crore in easy loans to pay the wages of workers.

"We are grateful to our prime minister for promptly and wisely extending the stimulus package with all other policy support," Huq said.

Since the recovery from covid may take until the middle of next year, the industry needs continuity of the support received to stay afloat in the upcoming days along with additional facilities to withstand any adverse impact, she added.

Source: dhakatribune.com– Dec 28, 2020

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Free trade deals to benefit Bangladesh

Bangladesh and Bhutan finalised the terms and conditions recently for signing a preferential trade agreement (PTA) to increase bilateral trade.

Under PTAs some select goods enjoy duty benefits from both countries whereas under free trade agreements (FTAs) almost all goods enjoy the same benefits. But both the countries will also lose import and export revenue.

After signing of the deal, Bangladesh will get duty-free benefit on export of 100 different goods, including garments, processed agricultural goods and electronics. On the other hand, Bangladesh agreed to provide duty benefit to 34 Bhutanese products including fruits.

In fact, the signing of the FTAs with important trading partners is still a remote possibility for Bangladesh as many countries are not that much interested to go for such deals.

The United Nations (UN) has strongly recommended that Bangladesh sign FTAs with major trading partners like China to counter a regime without duty-free access facility following the graduation to developing country status.

The government is now looking for ways and means to sign preferential trade agreements with trading partners. The preferential agreements are vital for Bangladesh to remain competitive in the international market.

Such deals will also help Bangladesh to continue getting the duty benefits after its graduation from the league of least developed countries (LDCs). Deadline was set on September 31 this year to ink an FTA with Sri Lanka. But unfortunately, Sri Lanka is moving very slowly.

Bilateral FTAs are becoming instrumental in global trading as the prospects of multilateral trading systems under the World Trade Organisation (WTO) are gradually losing their efficacy. There are more than 200 such deals worldwide. Neighbouring India has signed many FTAs including with the Association of South East Asian Nations (Asean) and is trying to sign another with the European Union (EU).

Bangladesh is interested to sign FTA with Turkey. But the Turkish authorities are also moving very slow, perhaps because of greater benefits likely to occur in favour of Bangladesh. A proposal has also been sent to Thailand for signing FTA with that country.

After holding meetings for years, Bangladesh backtracked from signing FTA with Malaysia at the final moment a few years ago. Signing of FTA with Malaysia would have gone in Bangladesh's favour, according to experts.

Bangladesh will have to be ready and continue lobbying with the major trading partners for PTAs and FTAs as erosion of preferences will affect trade significantly at the post-graduation stage.

The country should not only try to sign FTAs, but also lobby with major countries and trade blocs for signing Comprehensive Economic Partnership Agreements which include trade, tourism and investment.

The government has recently stressed the need for signing FTA with China aiming to narrow the yawning trade gap between Bangladesh and China. In 2015-16 fiscal, Bangladesh exported goods worth US$0.81 billion to China while imported about US$10 billion worth of goods. Recently, Bangladesh

has increased its exports to China, and if the growth continues, export to China is expected to reach US$2 billion within 2-3 years.

There is no denying that the country's future trade benefits will largely depend on bilateral free trade agreements as the country will lose duty-free facilities and a host of trade preferences once it graduates to middle-income nation in some years.

Presently, as a least developed country, Bangladesh gets duty-free market access to European Union, Canada, Australia, Japan and some other countries. The country also gets duty-free access for a range of products in the Indian and Sri Lankan markets under the South Asian Free Trade Area (SAFTA).

Bangladesh has to go for bilateral FTAs for trade benefits once it becomes a middle-income country. Without FTAs, Bangladesh will lose competitive advantages over other countries -- such as India, Pakistan and Vietnam which have FTAs with a number of their trading partners.

It is believed that once Bangladesh graduates as a middle-income country, bilateral FTAs and regional trade agreements (RTAs) are likely to offer greater trade advantages.

Source: globaltimes.cn– Dec 28, 2020

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NATIONAL NEWS

Textile Ministry streamlines procedures under tech upgradation scheme A-TUFS

Extends various timelines in view of Covid-led disruptions, in line with industry requests

The Textile Ministry has taken further steps to streamline procedures under the Amended Technology Upgradation Fund Scheme (A-TUFS), including a deadline extension for filing applications for verification, to make it easier for the industry to benefit from it.

"The textile industry units claiming subsidy can file application for physical verification after installation and commissioning of the machinery, within two years from the date of sanction of term loan, subject to production of documentary proof that the order for machinery was placed within one year," said a note prepared by the Ministry of Textiles.

Earlier, the units were required to seek approval for the second year from the Textile Commissioner for extension of timeline beyond one year with proof of pacing order for machinery, the note added.

Credit-linked subsidy

A-TUFS aims to facilitate employment, investment, quality, productivity, as well as import and export substitution in the textile industry while indirectly promoting investments in the manufacturing of machinery for textiles. It is a credit linked subsidy for capital investment in the textiles and manufacturing sectors.

The textile industry had made representations to the government seeking relaxations in various requirements under A-TUFS because of disruptions caused by the Covid-19 pandemic.

A relaxation has been also been approved in the 88-day timeline prescribed in A-TUFS guidelines for carrying out physical verification of machinery. This is designed to expedite the clearance of backlog verification cases under A-TUFS pending due to the pandemic, the note said. "This exercise will be completed by June 30, 2021," it added.

Minimum loan repayment period

The minimum loan repayment period for both MSMEs and non-MSMEs has been revised to three years including the moratorium period, the note said. Earlier, it was five years for non-MSMEs.

In November 2020, 58 UIDs were issued with a project cost of ₹213.72 crore and subsidy requirement of ₹20.14 crore under A-TUFS, per latest figures.

Source: thehindubusinessline.com– Dec 25, 2020

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India should now aggressively pursue FTAs with EU, UK: Trade experts

With European Union and the UK clinching a post-Brexit trade pact, India should now aggressively pursue free trade agreements (FTAs) separately with both the regions, according to experts.

Although it is premature to assess the gains for India from the agreement between European Union (EU) and the UK, Indian goods would not get much benefit from this pact, they said.

However, India can explore opportunities in service sectors like IT, architecture, research and development and engineering in both the markets as the EU-UK pact does not cover services, they added.

“There is not much gain for Indian goods, but we can gain in services sector in both the UK and EU markets. We will gain more in the UK market as we are English speaking country,” Federation of Indian Export Organisations (FIEO) Director General Ajay Sahai said.

He said there are no specific customs duty benefits for domestic goods from this agreement.

“Now we should push the FTA negotiations with both the EU and the UK. Indian competitors like Vietnam have greater duty advantage in sectors like apparel and marine goods,” Sahai said.

Sharing similar views, Biswajit Dhar, a professor of economics at Jawaharlal Nehru University, said India had a lot of contentious issues while negotiating FTA with the EU. However, after Brexit, the UK could have different stand on those issues and now “India should pursue FTA talks again with both the regions”.

He added that there is a possibility of doing a favourable free trade pact with the UK.

FIEO President Sharad Kumar Saraf said that India should now “aggressively” move on starting negotiations for FTA with both the EU and UK.

“We have requested the government to sign an MoU (Memorandum of Understanding) regarding a deadline to conclude FTA talks with Britain during the visit of UK Prime Minister Boris Johnson next month in India,” Saraf said.

Rakesh Mohan Joshi, professor at Indian Institute of Foreign Trade (IIFT), said that after the trade deal with the EU and the UK, India will get a better opportunity to cater to the demands of both the markets.

“But India needs to plan accordingly,” he added.

Apparel Export Promotion Council (AEPC) Chairman A Sakthivel said India-UK FTA would help in removing the customs duty disadvantages faced by domestic players in Britain.

Britain clinched a historic deal with the European Union on Thursday as both sides managed to thrash out a post-Brexit free trade agreement just days before the December 31 deadline.

The bilateral trade between India and the UK dipped to $15.5 billion in 2019-20 from $16.9 billion in 2018-19.

Source: financialexpress.com– Dec 25, 2020

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India set to become fifth largest economy in 2025

India, which appears to have been pushed back to being the world's sixth biggest economy in 2020, will again overtake the United Kingdom (UK) to become the fifth largest in 2025 and race to the third spot by 2030, a think tank said on Saturday.

India had overtaken the UK in 2019 to become the fifth largest economy in the world but has been relegated to 6th spot in 2020.

"India has been knocked off course somewhat through the impact of the pandemic. As a result, after overtaking the UK in 2019, the UK overtakes India again in this year"s forecasts and stays ahead till 2024 before India takes over again," the Centre for Economics and Business Research (CEBR) said in an annual report published on Saturday. The UK appears to have overtaken India again during 2020 as a result of the weakness of the rupee, it said.

The CEBR forecasts that the Indian economy will expand by 9 per cent in 2021 and by 7 per cent in 2022.

"Growth will naturally slow as India becomes more economically developed, with the annual GDP growth expected to sink to 5.8 per cent in 2035." "This growth trajectory will see India become the world"s third largest economy by 2030, overtaking the UK in 2025, Germany in 2027 and Japan in 2030," it said.

The UK-based think tank forecast that China will in 2028 overtake the US to become the world"s biggest economy, five years earlier than previously estimated due to the contrasting recoveries of the two countries from the Covid-19 pandemic.

Japan would remain the world"s third-biggest economy, in dollar terms, until the early 2030s when it would be overtaken by India, pushing Germany down from fourth to fifth.

The CEBR said India"s economy had been losing momentum even ahead of the shock delivered by the Covid-19 crisis.

The rate of GDP growth sank to a more than ten-year low of 4.2 per cent in 2019, down from 6.1 per cent the previous year and around half the 8.3 per cent growth rate recorded in 2016.

"Slowing growth has been a consequence of a confluence of factors including fragility in the banking system, adjustment to reforms and a deceleration of global trade," it said.

The Covid-19 pandemic, the think tank said, has been a human and an economic catastrophe for India, with more than 140,000 deaths recorded as of the middle of December.

While this is the highest death toll outside of the US in absolute terms, it equates to around 10 deaths per 100,000, which is a significantly lower figure than has been seen in much of Europe and the Americas.

"GDP in Q2 (April-June) 2020 was 23.9 per cent below its 2019 level, indicating that nearly a quarter of the country''s economic activity was wiped out by the drying up of global demand and the collapse of domestic demand that accompanied the series of strict national lockdowns," it said.

As restrictions were gradually lifted, many parts of the economy were able to spring back into action, although output remains well below pre-pandemic levels.

An important driver of India''s economic recovery thus far has been the agricultural sector, which has been buoyed by a bountiful harvest.

"The pace of the economic recovery will be inextricably linked to the development of the Covid-19 pandemic, both domestically and internationally," it said.

As the manufacturer of the majority of the world''s vaccines and with a 42-year-old vaccination programme that targets 55 million people each year, India is better placed than many other developing countries to roll out the vaccines successfully and efficiently next year.

"In the medium to long term, reforms such as the 2016 demonetisation and more recently the controversial efforts to liberalise the agricultural sector can deliver economic benefits," the think tank said.

However, with the majority of the Indian workforce employed in the agricultural sector, the reform process requires a delicate and gradual approach that balances the need for longer-term efficiency gains with the need to support incomes in the short-term.

The government''s stimulus spending in response to the Covid-19 crisis has been significantly more restrained than most other large economies, although the debt to GDP ratio did rise to 89 per cent in 2020.

"The infrastructure bottlenecks that exist in India mean that investment in this area has the potential to unlock significant productivity gains. Therefore, the outlook for the economy going forwards will be closely related to the government''s approach to infrastructure spending," it added.

Source: thehindubusinessline.com– Dec 26, 2020

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UK-EU post-Brexit deal: Effect on goods exports may be neutral

Exporters may be spared two separate sets of standards

The post-Brexit deal between the UK and the EU may not result in direct gains for Indian exporters in terms of increased market access for goods but demand for services could increase in the UK, say experts.

Exporters of goods from India may also be spared additional pain, as they will not have to go through the trouble of adhering to two sets of standards and technical specifications since the UK and the EU are expected to continue with common norms.

“In the goods sector, there will be no change as the EU and the UK are not imposing tariffs on each other which could have resulted in higher market access for others.

It is a balanced position for Indian exporters as there is status quo,” said Ajay Sahai, Director General, Federation of Indian Export Organisations (FIEO).

Competition for Indian exporters in the UK from countries that had special agreements with the EU will remain the same too as the UK will continue to offer them the same concessions as the bloc because of the deal, Sahai added.

The UK. and the EU recently secured an agreement over the terms of their future relations following Britain's decision to exit the bloc. The deal reached just days ahead of the December 31 deadline for completion of the transition period saved the UK the uncertainty and pain attached to exiting the bloc and being treated as just any other foreign trading partner.

The services edge

While the gains on the goods front for India from the arrangement may be minimal, there could be substantial benefits in the area of services going forward, said Biswajit Dhar, Professor, Jawaharlal Nehru University (JNU). As the UK may need to get into separate mutual recognition agreements with all the individual EU states in the area of services, professionals from India in different areas of services may stand to gain, he said.

The advantage for English-speaking Indian professionals may be in areas such as IT, R&D, financial services and services like architecture and engineering.

As two-way trade in services between the UK and the EU is around $200 billion put together, India stands to make substantial gains, Sahai said.

Brexit and the EU-UK deal may also help India get into a more lucrative free trade agreement with the UK as the country may be less stringent in terms of its demands in areas such as agriculture, labour and environment, Dhar added.

One definite gain from the deal between the EU and the UK is that Indian exporters can target both the markets with the same standards and specifications. "Indian exporters will not have to tailor-make their products for the EU and the UK separately, which would have been painful," said Sahai.

The EU is one of India's largest export destinations with exports worth $53.5 billion in 2019-20 (accounting for 17 per cent share in total exports), while UK was the top market amongst the EU countries for India accounting for $8.76 billion of exports during the year.

Source: thehindubusinessline.com– Dec 27, 2020

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Shipping Ministry to develop affordable, product-specific warehouses at ports

The Ministry of Ports, Shipping and Waterways (MoPSW) intends to create product-specific warehouses at various ports, multi-modal logistics parks near port area and alongside the national waterways, said a release.

These will be on pay-and-use model allowing smaller users to use facilities at low-cost, according to the MoPSW Minister Mansukh Lal Mandaviya.

The product-specific warehouses will be cement silos, liquid tanks, chemicals tanks, cold/refrigerated storage, electronics product storage, pharmaceutical storage, auto spares parts and components storage or any other suggested products, it added.

While the big players have their own warehouses and storage spaces, the smaller ones find it difficult to get their products-specific storage silos at various locations, the statement added.

The development of world-class warehousing spaces will give a big push, especially to such small logistics players for their 'Ease of Doing Business' with better planning and inventory management.

The small players will have the option of paying nominal fees to make use of the infrastructure. At present, quite often, their loaded trucks keep waiting to find appropriate storage near ports. In turn, it will reduce the losses compared to the traditional warehousing and provide more robust and cost-effective supply chain, the release added.

The Ministry is ascertaining the interest of the various Indian companies/developers engaged in the business of logistics operations to get the support required by them for viability of the projects under PPP model.

The Ministry hopes that various permissions/approvals from regulatory and statutory Government authorities are facilitated expeditiously through Sagarmala Development Company Ltd. If needed, the Ministry will facilitate

equity in the projects in SPV framework to smoothly implement the world-class infrastructure projects.

Source: thehindubusinessline.com– Dec 25, 2020

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Waves of change

Even as container rates are at artificial highs, shipping industry dynamics are set to change

Indian exporters have been hit by a rise in containerisation costs at a time when exports are already struggling. Container rates are ruling at over 100 per cent over the same levels last year, and 30-40 per cent above July levels. The spike in rates since July coincides with the opening up of economies and the restocking that followed, the contraction of air freight capacity, demand for specific items such as PPEs — and, perhaps most significantly, the rise in pricing power of shipping lines.

According to the UNCTAD Review of Maritime Transport 2020, the top five ship-owning companies accounted for 52 per cent of world fleet tonnage as of January this year. Half the world's tonnage is owned by Asian companies. A consolidation has taken place in the shipping industry in the aftermath of the Great Financial Crisis, when a slump in the world trade volumes had led to a price war between global shipping majors, leading to prices dropping below operational costs.

This time, the industry has responded to the pandemic shock by reducing available capacity — through cancellation, rescheduling and re-routing of trips. As a result, prices are strong despite the prospect of global container throughput contracting by 7.3 per cent this year (according to UNCTAD), corresponding with the estimated 4 per cent drop in world trade.

In India's case, where imports have contracted more than exports, the shortage of containers is being acutely felt. It does not help India's cause that its ports do not fall along main oceanic routes, as a result of which transhipment costs are a factor.

The artificial shortage of containers must be addressed through a coordinated global effort. Container capacity has increased by 45 per cent between 2011 and 2019, accounting for about 16 per cent of total shipping capacity but over half of global seaborne trade in value terms.

There is enough slack to accommodate for a recovery in world trade levels over the next two years, provided oligopolistic practices are dealt with. In the meantime, a credit line to exporters can be considered. In a bid to reduce container costs and attendant expenses, the Centre has reduced rail haulage rates, pushed faceless clearance at customs and relaxed the quarantine rules for ships entering India.

Containerised shipping, which allows for its multi-modal delivery, has revolutionised goods trade, its growth coinciding with globalised production in automobiles, electronics and garments in particular. However, the disruption of China-centric supply chains in the wake of Covid has led to efforts to create other hubs, dispersed around South-East Asia. This will alter container trade practices.

For instance, container ships have attained their peak size, as the UNCTAD report points out. Digitisation could optimise efficiencies in port handling. India's port management practices should take these patterns into account, so that all stakeholders benefit.

Source: thehindubusinessline.com– Dec 25, 2020

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Trucking trouble

Brought to a screeching halt by the lockdown, the segment is slowly picking up speed and learning life lessons from pandemic

"The year 2020 was like a tsunami," said Senthil, a truck owner in Tamil Nadu's Namakkal, one of India's largest trucking hubs. His words summarise the industry's bumpy ride in 2020 as the pandemic turned the sector upside down. However, as the industry bounced back in 4-5 months, the truckers had many takeaways from the crisis.

Typically, the truck industry is the first to be hit when there is a recession or any major disturbance in the economy. The pandemic that started in March was no exception and brought over 10 million trucks to a screeching halt — paralysing cargo movement completely.

As the pandemic spread, drivers fearful of getting infected, abandoned trucks on the highways and fled to their home towns. This left vehicle owners bleeding. While their trucks were parked for days without any business, they continued to pay their equated monthly instalments (EMIs).

As the Covid-19 restrictions were eased in phases, trucks were back on the highways. But, even eight months after the pandemic was declared, 10-15 per cent of the trucks were still idle, said P Sundarraj, MD, Subham Freight Carriers India Ltd based in Tiruchirapalli. The situation, however, has improved "considerably", he added.

Anjani Mandal, CEO, Fortigo Logistics, said that in 2020 if there was a tornado that could hit all at the same time, it was the pandemic.

For most of the trucking industry, however, it had started from the beginning of the year itself. The industry had already been negatively impacted because of a combination of factors such as the slump in the auto industry, fall in demand of goods being transported, cyclones and heavy rain.

What did the trucking industry learn from the pandemic?

Sundarraj, who has been in the industry for nearly three decades, said: "We have not seen a situation like this before, but we managed to survive. In the

future, it will be easy for us to handle a similar situation as we learnt a lot from the crisis."

For example, he said, a contingency fund should be created to handle such a crisis. Loan liability of any business should not be more than 60 per cent of the total investment. Monthly repayment should not exceed 50 per cent of total earnings. More important, vehicles should be maintained well as a crisis could mean non-availability of spares and workshops.

Those in the business should not panic in a crisis, when drivers leave vehicles on the highways and employees are unable to reach warehouses that hold goods worth crores of rupees. However, maintaining a good relationship with spare part sellers, petrol bunk owners, local associations and 'dhabas' will help, for vehicles can be left under their custody during emergencies, he said.

Mandal of Fortigo Logistics said a key takeaway from 2020 was that those who survived the pandemic had already invested in digital technology, had a profitable business model and managed their collection cycles well.

The transport industry will move to the new-normal characterised by some consolidation; rationalised assets in terms of the number of trucks; rationalised pricing for customers; and exiting of several unorganised players that were over-leveraged and were barely surviving in pre-Covid-19 times too.

Ramesh Agarwal, Chairman, Agarwal Packers and Movers Ltd (APML), said during the pandemic only innovators could survive in the market, and APML and other organised companies would benefit from this change.

Overall, 2021 will be digital. Productivity, efficiency and digital technology deployment with a rationalised profit and cash-flow model are the only solutions for the industry as a whole.

Source: thehindubusinessline.com– Dec 27, 2020

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Telangana seeks central funds for textile park

IT and municipal administration minister KT Rama Rao has written to Union textiles minister Smriti Irani seeking funds from the Centre for development of handlooms and textiles in the state.

He sought funds be allocated in the Union budget 2021-22 for development of Kakatiya Mega Textile Park (KMTP) and sanction of a mega powerloom cluster at Sircilla and also that other proposals sent by the state be cleared for development of handlooms and textiles in the state.

The minister said the KMTP at Warangal would take off in 2020-21 and would be developed at a total estimated project cost of Rs 1,552 crore. "We have aligned our project activities in a such manner that major external and internal infrastructure works at KMTP can be taken up immediately upon receipt of the proposed financial support under the mega textile park scheme of the Centre," KTR said.

The minister requested the Union minister to sanction the powerloom cluster at Sircilla and sanction Rs 49.84 crore from out of the projected outlay of Rs 993.65 crore. In the letter, KTR also urged the Centre to sanction the Indian Institute of Handloom Technology (IIHT) for Telangana.

KTR also explained about the adverse impact of Covid-19 pandemic on the Indian handloom, textiles and apparel industry. "Several companies have their orders cancelled and shipments put on hold and are facing zero revenues and cash flows," KTR said.

"I am seriously worried about the sustenance of the industry and the resulting impact on the livelihood of millions of workers," he said.

Source: timesofindia.com– Dec 25, 2020

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India's Australia Economic Strategy: A big push to bilateral trade

The much-awaited Government of India (GoI) 'Australia Economic Strategy' (AES) report, authored by Anil Wadhwa, Former Secretary (East), Ministry of External Affairs (MEA), was recently released in the presence of Commerce and Trade Minister Piyush Goyal, along with the High Commissioner of India to Australia A. Gitesh Sarma, and Deputy High Commissioner of Australia to India Rod Hilton.

India's AES is a reciprocal report to Australia's 'India Economic Strategy to 2035' (IES 2035), authored by Peter Varghese. The IES2035 earlier had set a target for India to become one of Australia's top three export markets, to make India the third-largest destination in Asia for Australian outward investment, $100 billion by 2035, and a bigger, better trade basket with balanced trade relations between both countries. AES is one of its kind report, first ever attempted by the GoI for any specific country.

India's AES covers a wide range of sectors, keeping into account the post-COVID recovery model that both Australia and India will need to work upon. The emphasis is on sectors including Mining and Resources, Mining Equipment and Technology Services (METS), Critical minerals, Pharmaceutical, Medical Devices and Technology, Soil Mapping, Blue Economy, Sports Management and Sports Technology, Innovation and Research, Agri-tech, Health-tech, Water Management, Food Processing and Food Storage, Energy Efficiency and Renewables, Railways, Gems and Jewellery, Textiles and other emerging fields for the future, offering creative ideas and areas in which Australia and India have not engaged with each other (like cost-effective clinical trials, traditional medicines like Ayurveda, IT-specific visas for talent flow, healthcare, trauma care, aged care support).

The AES strongly recommends a six-month review of AES and IES 2035 implementation for the next two years. It asks for sector-specific specialised delegation exchanges, sharing of more success stories between both countries, focus on matchmaking of businesses with similar goals, a more operationalised and granular approach to execution, developing corporate Australia's interest in India's growth story, ensuring regular engagement between trade bodies, sector-specific joint working groups, mutual investment funding across key sectors, setting up of startup & innovation funds and humanities fund, more direct flights between Australia and

India's major business hubs, a renewed focus on negotiating the Free Trade Agreement (FTA).

India's economic diplomacy, post-COVID-19 pandemic, has largely centered on its major domestic fundamental and structural reforms across diverse sectors (agriculture, mining, defence production, railways, space, and atomic energy, etc.) and international outreach to attract foreign investment.

The focus has been on land, labour, liquidity, and laws enhancing inward investments (by opening up FDI in most sectors), generating jobs, protecting livelihoods through building social infrastructure (education, health, and agriculture), easing regulations, and improving the ease of doing business, creating an enabling environment for India's manufacturing sector (with broadening the definition of MSME sector, production linked incentive schemes for ten champion sectors to boost manufacturing).

With severe disruptions in industrial production and consumption spending, the focus has been to spur demand and build infrastructure, which are key economic drivers to help India achieve the $5 trillion economy target by 2024.

The UN Conference on Trade and Development (UNCTAD) asserted in its 2020 World Investment Report that India's large market would continue to attract market-seeking investments to the country. Most recently, the MEA launched the Economic Diplomacy Website to showcase India's economic, sectoral, and state-wise strengths that make for an attractive economic partnership. India is focusing on weaving its regional aspirations with its national ambitions.

For Australia-India ties, 2020 has been a year of optimism and promise to inspire and deliver action. Sending out a clear message that the crisis has laid out the framework for deeper engagement and enhanced opportunities. The year started with Australia India Business Exchange (AIB-X), one of the largest trade missions to India in the last five years, of 120 members delegation led by Trade, Investment, and Tourism Minister Simon Birmingham.

Followed by the historic virtual summit between the Australian and Indian Prime Ministers which led to the elevation of this bilateral relationship to a Comprehensive Strategic Partnership with agreements on cyber-enabled critical technology cooperation, cooperation in mining and processing of

critical and strategic minerals, agreements on cooperation in defence, science and technology, and mutual logistics sharing agreement.

Australia and India are situated in the most dynamic region of the Indo-Pacific that is the centre of economic and strategic gravity today. The Indo-Pacific provides a meeting point for Australian and Indian interests, displayed through the Supply Chain Resilience Initiative (Australia, India, and Japan) and Quad (United States, India, Japan, and Australia), extending the scope of India's evolving strategic congruence supplemented by Australia's recent participation in Malabar exercises.

The Indo-Pacific captures a mix of India's broadening horizons, widening interests, and globalised activities. The scale and scope of these alignments will depend on the speed to build constant strategic and economic engagement. Transparency, trust-based and reliable alliances will drive India and Australia's actions going forward.

When strategy meets action

The need to "catch up" has to be complemented with precise action. The two reports (IES 2035 and AES) together create a perfect roadmap for future economic engagement between India and Australia. The shift that's categorically needed for Australian businesses is from "Why India?" to "How-to in India?"

- First, both countries need to be mindful of their contemporary realities, needs, compulsions, and limitations, which could address the sticking points of Free Trade Agreement (FTA) between them, which includes India's demand for free movement of professionals versus Australia's demand for enhanced agriculture market access in India. Goods, services, and investment-focused FTA with Australia will boost key Indian exports like textiles, clothing, auto parts, and jewellery. It will also facilitate investment flows with Australia, which has the world's third-largest pool of investment funds under management. An FTA could deliver businesses' confidence about the operating environment. According to the Joint Study Group (JSG) report, the welfare gain from the FTA could be in the range of 0.15 and 1.14% of GDP for India and 0.23 and 1.17% for Australia.

- India is exporting only 10% of its GDP and is heavily dependent on domestic consumption. Australia's advanced manufacturing accounts for around half of Australia's A$100 billion-plus annual manufacturing output and is one of the fastest-growing export sectors. Part of this success is due

to cross-fertilisation between R&D institutions and the manufacturing sector. India can explore synergies with Australia in advanced manufacturing as part of 'Make in India 2.0' (which includes segments such as robotics, AI, genomics, chemical feedstock, and electrical storage). Advanced manufacturing technologies today are vital to gain global competitiveness in cost, speed, innovation, and quality. Australia's advanced manufacturing expertise can help build India's export-led growth strategy.

• Australia is a recognised global leader in Mining Equipment and Technology Services (METS) while India lags behind other mining countries across all stages of mining-geoscience, exploration, development, production, and reclamation. The Australian METS sector has a number of comparative advantages, which if utilised properly can offer a range of solutions to the mining industry in India. The first India-Australia Critical and Strategic Minerals Joint Working Group, held in November, has agreed on actions and next steps to be delivered over the coming year, in relation to supply-demand data sharing, investment activities, and R&D.

This is a significant step in implementing the Memorandum of Understanding on Critical Minerals between India and Australia. The success of India's e-mobility, renewable goals primarily depends on the availability of these critical minerals. The growing significance of these minerals is demonstrated in their use in the manufacture of mobile phones and computers, flat-screen monitors, wind turbines, electric cars, solar panels, rechargeable batteries, space, and defence-industry technology and products.

Australia has released a list of 24 key critical minerals where it can emerge as a potential supplier, along with a list of critical minerals projects in the country, which offer off-take and investment opportunities for public and private sector organisations across the world.

India's public and private sector, along with its government consortium (KABIL) on critical minerals, can look at these assets to secure future supplies and build an efficient energy economy and futurecompetitiveness. Mining and Resources is Australia's number 1 sector, in attracting outward investments because of its conducive doing business environment supplemented by policy certainty.

• The discourse on education partnership between both countries must go beyond enrollment numbers and look at capacity-building partnerships.

There is a need for reskilling, upskilling, and deep-skilling. India's 'New Education Policy' also focuses on Education Quality Upgradation and Inclusion Program (EQUIP) to transform higher education in India through joint collaborations in Science, Technology, Engineering and Mathematics (STEM) and creating institutes of excellence and global competence within the country.

• India and Australia can combine complementary skills and expertise to develop new innovations by leveraging Australian expertise in areas such as agri-tech, health-tech, water management, food processing, food storage, sports technology, energy efficiency, and renewables, with Indian expertise including in data analytics, biotech, and mobile applications.

• The missing ingredient in this mix of economics and geopolitics is deeper cultural understanding. Colonial history and subsequent postcolonial identities marred by outbursts of Australia's cultural superiority have played a significant role in fracturing Australia-India ties. More people-to-people interactions and educational partnerships must be enhanced to address this challenge. The changing world must make an effort to understand the new India better. Hence, a crucial role for the 700,000 strong Indian-origin population residing in Australia, and how it manifests itself in building a talent reservoir for new world needs.

The opportunity will not come to Australian businesses, they must be sought out actively and assertively. Curiosity and continuity are key. The word "engagement" is crucial which should become a permanent national project for both countries. Let's hope that the quality of the relationship will catch up with its ambition, share the relentless spirit and ethos of cricketing ties between the two countries, and bolster economic ties as well.

Source: businesstoday.in– Dec 27, 2020

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National Textile Corporation to reopen mills in phases

‘Mills selected for operation based on cash profitability’

The management of National Textile Corporation (NTC) has decided to reopen mills in a phased manner.

An official told The Hindu on Friday the mills had ceased production when the nationwide lockdown was announced in March to control the spread of COVID-19.

However, the 23 NTC mills in India had stocks of both raw materials and finished products. The market was also weak in the initial months when the lockdown restrictions were relaxed.

The demand began picking up in September-October and the mills were able to start clearing yarn stocks. The market outlook was good now. “The Textiles Minister has been monitoring the situation and it was decided to reopen six mills initially,” the official said.

These are three mills in Tamil Nadu and one each in Kerala, Maharashtra and Madhya Pradesh. These account for almost 40% of NTC’s total production. The mills would resume production using the raw material stocks available, sell the products and generate cash.

The situation would be reviewed in a month and more mills would be reopened. Five or six more mills had the potential to operate and generate cash. The aim was to have 10-12 mills running by next March.

Dues cleared

The NTC had paid salaries till November to all the workers and cleared dues to vendors till January, the official said. The NTC had decided to reopen the mills in phases following cash constraints.

The mills were selected for operation based on cash profitability, according to the official.

Source: thehindu.com– Dec 26, 2020

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Indo-China border tension: PPP cargo terminal operators jittery over ordering Chinese cranes

Restrictions on buying cranes from China pose a stiff challenge

Public private partnership (PPP) projects for cargo terminals, particularly those handling containers, at Centre-owned major port trusts are in a dilemma over ordering Chinese cranes for their facilities after the government placed restrictions in July on vendors and service providers in China for public procurement tenders.

The decision aimed at strengthening defence and national security after skirmishes with China along the border is applicable to autonomous bodies, central public sector enterprises and PPP projects receiving financial support from the government or its undertakings.

PPP operators have taken the stand, backed by legal advice, that they are exempt from the new rule. Yet, they are jittery recalling instances where Chinese cranes were denied security clearances at some major ports even before the new rules were imposed.

There are reasons why operators prefer cranes from China, the top supplier of cargo handling gear. "Chinese port equipment are competitive in pricing and lead times," said an executive heading the terminal operations at a private terminal. European gear is not only expensive but crane makers also take a much longer lead time to supply the equipment after the order is placed, he said.

For cargo terminals which have configured their operations to suit Chinese gear, the restriction on buying cranes from that country would pose a stiff challenge. This is more so when a terminal operator is looking to replace only a few cranes to comply with the terms of an agreement it has with the government-owned port authority. This would result in a situation where there are cranes of different makes in one terminal functioning simultaneously, rendering operations difficult. "At the crane operator level, they have to operate different equipment which reduces productivity, increases cost and complexity," the managing director of a Mumbai-based terminal operating company said. Terminals will also have to depend on multi-skilled engineers for different equipment, he stated.

PPP operators are also concerned about sourcing parts for Chinese cranes already operational from other suppliers. There are more than 250 Chinese-made cranes operating at ports across India.

Source: thehindubusinessline.com– Dec 27, 2020

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Check 'textile' definition: Gujarat HC to Centre

In an important order, the Gujarat high court has directed the Centre to check its definition of 'textile' for the purpose of levying excise duty after the revenue authority treated agro shade net and geogrid as plastic material.

The issue reached the HC after the central excise commissioner in Ahmedabad issued notice in June 2020 to one CTM Technical Textiles Ltd to shell out Rs 3.65 crore duty and penalty of equal amount for manufacturing agro shade nets and geo grids since 2007.

It said these goods could be termed as articles of plastics because both the products are made of the HDPE strips of less than 5mm width. They are not made out of textile material. The central government relied on a circular issued in 1992 by the Central Board of Excise and Customs and a 1994 trade notice issued by the Ahmedabad district collector.

The company argued that both the items were exempted from excise duty. Moreover, it is the only company out of hundred others producing these materials to have been asked to pay duty.

The bench of Chief Justice Vikram Nath and Justice J B Pardiwala noticed that the excise commissioner refused to believe that the material was textile even after the department chemical examiner's opinion that agro shed net is knitted fabric and geo grid fabric are woven fabric and polyester yarn is used for the weaving.

The court further said that the raw materials used for both the products include High Density Polyethelene (HDPE) strips, which is a plastic material. But, plastic is used in textile fabric – polyester, telelene, nylon fabrics etc.

The HC reminded the revenue authority that it is not the material that is used that defines textile, but it is the process of manufacturing that defines

what is textile. The HC cited the definition of textile as made by the Supreme Court for the purpose of taxation.

The high court ordered the Union of India to re-look into its definitions with observation, “Prima facie, it appears that the understanding of the word ‘textiles’ in common parlance has not been considered by the Board as well as by the Ahmedabad Collector while issuing the impugned Order and the Trade Notice respectively. Instead of considering the method of weaving as a relevant factor, the nature of the raw material seems to have been taken into consideration while issuing such Order and Trade Notice.”

The high court pulled up the revenue authority for seeking to levy duty only on one company and that too by not following proper procedure. It quashed the notice and ordered the excise commissioner to take a fresh decision on the issue after hearing the company.

Source: timesofindia.com– Dec 26, 2020

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