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

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INTERNATIONAL NEWS

US Saw Continued Economic Uptick in September, as Europe Stalled

While U.S. economic activity picked up in September, performance in Europe and the U.K. generally stalled.

Economists said the uncertainty of the coronavirus pandemic has led to an unsteady outlook for manufacturers and service providers. Even places that saw improved conditions in September and the third quarter could face another downturn in the next few months as the virus and resulting business activity ebbs and flows.

United States

U.S. companies signaled a solid rise in business activity during September, although one that was slightly weaker than seen in August, rounding out a solid third quarter, IHS Markit said in its U.S. Composite Purchasing Managers Index (PMI).

Manufacturers and service providers noted in the monthly survey that they registered strong expansions in output, with goods producers registering a faster rise in production. Adjusted for seasonal factors, the IHS Markit Flash U.S. Composite PMI Output Index was down slightly from August. The index's quarterly average was the highest since the first quarter of 2019.

The composite index is based on original survey data from IHS Markit's PMI surveys. Although the pace of expansion slipped slightly from that seen in August, the solid upturn in private-sector output was a marked improvement following the substantial drops in activity during the second quarter, with the downturn having peaked in April at the depths of the pandemic, IHS said.

"U.S. businesses reported a solid end to the third quarter, with demand growing at a steepening rate to fuel a further recovery of output and employment," Chris Williamson, chief business economist at IHS Markit, said. "The survey data therefore add to signs that the economy will have enjoyed a solid rebound in the third quarter after the second quarter slump."

Williamson said the question now turns to whether the economy's strong performance can be sustained into the fourth quarter. Covid-19 infection rates remain a major concern and social-distancing measures continue to act as a dampener on the overall pace of expansion, notably in consumer-facing services, he added.

"Uncertainty regarding the presidential election has also intensified, cooling business optimism about the year ahead," Williamson said. "Risks therefore seem tilted to the downside for the coming months, as businesses await clarity with respect to both the path of the pandemic and the election."

New orders increased for the second successive month, growing at the fastest rate since February 2019. Companies continued to report a recovery in foreign client demand, notably for services, although the overall pace of new export order growth eased following a slowdown in manufacturers' foreign sales.

Companies raised their average selling prices in September at the fastest pace since October 2018, amid a sharp increase in cost burdens, IHS reported. Both good producers and service providers recorded a faster pace of increases in selling prices.

Manufacturers indicated the fastest improvement in operating conditions since January 2019 in September. The overall upturn was supported by a faster rise in production at manufacturers, with a further increase in new orders and the resumption of operations at clients helping drive growth.

New business rose at a solid pace that was broadly similar to August's 19-month high. The expansion in new export orders slowed, however, and was only marginal overall. At the same time, output charges rose at the fastest rate since January 2019, as firms partially passed higher costs on to clients following sustained growth in demand.

United Kingdom

The U.K. economic recovery lost momentum in September and the business outlook dropped to its weakest since May. The slowdown reflected weaker rises in manufacturing production and service sector activity.

U.K. private-sector companies also pointed to another drop in business expectations for the year ahead, with the degree of optimism falling to its lowest since May. Where business activity growth was reported, survey respondents often commented on successfully adapting to the constraints imposed by the Covid-19 pandemic and a general boost from the reopening of the U.K. economy.

A number of manufacturers noted that pent-up customer demand had encouraged them to expand production capacity. But there were widespread reports that a lack of consumer confidence and persistent disruptions to business operations due to the pandemic had held back the recovery in September.

Output and new business growth both eased from August's recent peaks, which was partly linked to a slowing of the catch-up effect while plant capacity was brought back on line through the summer. Export sales were a brighter spot in September, partly helped by rising demand from clients in Asia.

"Manufacturing companies fared better as operations ramped up with the return of staff and with the strongest level of new export orders growth since February 2018," Duncan Brock, group director at the Chartered Institute of Procurement & Supply, said. "Primarily propped up by orders from East Asia and an awakening amongst European clients, the sector will be concerned about timely supplies to fulfil these new orders and the pressure of higher material costs."

Eurozone

Business activity stalled across the Eurozone in September, with increasingly divergent trends by sector and country, IHS reported.

Faster growth of manufacturing, led by Germany, was offset by a renewed downturn in the service sector, which was often linked to resurgent coronavirus disease infection rates. A net loss of jobs continued to be reported, although the rate of payroll reduction eased, notably in manufacturing, thanks in part to improved future expectations. Price pressures moderated during the month.

The IHS Markit Eurozone Composite PMI fell for a second successive month in September, indicating only a marginal increase in business activity. Having rebounded sharply in July and, to a lesser extent, August from Covid-19 lockdowns during the second quarter, the PMI has since indicated a near stalling of the economy at the end of the third quarter as rising infection rates and ongoing social-distancing measures curbed demand, notably for consumer-facing services.

Manufacturing output growth accelerated in September to the fastest since February 2018, fueled by the largest rise in new orders seen over this period. Germany continued to lead the recovery, although even with a strong surge in manufacturing output, which grew at the fastest rate since January 2018, Germany's economic growth was countered by a decline in services activity for the first time since June.

France saw business activity deteriorate for the first time in four months, as falling service-sector output more than offset a modest rise in factory production.

Average prices charged for goods and services fell at the steepest rate since June, as firms increasingly reported the need to offer discounts to stimulate sales. The drop in charges occurred despite costs rising.

Average input prices increased for a fourth consecutive month in September. Falling manufacturing input prices, often linked to the appreciation of the euro, were offset by a further rise in services costs, in turn often blamed on higher virus protection costs, the report noted. The combination of falling selling prices and rising costs indicated the greatest squeeze on companies' margins since December 2018.

"A two-speed economy is evident, with factories reporting that production growth was buoyed by rising demand, notably from export markets and the reopening of retail in many countries, but the larger service sector has sunk back into decline as face-to-face consumer businesses in particular have been hit by intensifying virus concern," Williamson said.

"The main concern at present is...whether the weakness of the September data will intensify into the fourth quarter and result in a slide back into recession after a frustratingly brief rebound in the third quarter."

Source: sourcingjournal.com– Sep 28, 2020

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USA: Cotton Market Stale as Chinese Issues Are Sorted Out

As expected, the market did back and fill all week, easing above 66 cents after attempting to move marginally below 65 cents. Generally, business was slow, i.e., reflecting a somewhat stale market.

Chinese exports surfaced, but not in the numbers suggested by the commitment of traders report (COT). Additional sales to China do exist and will get reported. But the question remains – will the volume push 400,000 bales and/or will the final number be closer to a million bales by the end December? Too, Brazil will sell its share (last week I mistakenly stated that Brazil was out of cotton – not so, they are out of beans, mostly sold to China).

A reasonably tight two cent trading range, 64.70-66.70 cents, is expected going into the October 9 USDA world supply demand report.

Import demand remains strong from China. Yet, except for "pre-planned" sales to Mexico and Vietnam, U.S. export sales will continue to be limited. Small sales will continue mainly to Bangladesh, Indonesia, Turkey, Malaysia, Korea and others. We must remember that the world textile industry is operating on a very limited schedule, as many retail outlets remain closed and mail order has become the way of life. Hopefully, the October supply demand report can uncover news to help generate higher prices.

Yet, the principal fundamental we must keep paramount in our thought process is that world carryover is forecast at some 103 million bales. Thus, there is a heavy-heavy lead cap over the 68-cent price level, basis December futures. The market has a double top between 66.50 and 66.70, and we all know that is a significant technical barrier to higher prices. Yet, I am on record of thinking a U.S. crop, some 300,000-500,000 bales lower and coupled with additional strong sales to China, would allow a trade up to 67.50 cents.

The world ban on cotton and textile products originating in Xingjian has expanded to the point that the Chinese Communist Party no longer guarantees the safety of foreigners or foreign companies there to inspect the products and plants that produce the products. The communist party has even gained some local U.S. support in that a Washington, D.C.-based lobbying firm – American Association of Apparel and Leather Importers –

questioned the validity of the U.S. ban of importing goods from Xingjian. Of course, the firm represents companies that import the apparel that was produced by forced/child labor to the U.S.

Additionally, the companies are big importers of polyester and cotton apparel produced via forced labor. These companies have more interest in their polyester profits rather than whether the labor force that produced the goods were enslaved or were, in fact, the product of child labor.

The forced labor camps in China are increasing, as some half million to one million Tibetans have now been captured and forced to labor in Communist Party businesses across the country. Just some three years ago, only a very-very small handful of others bothered to report these abuses. Now that Fox and NBC have produced documentaries, the cotton industry can take pride that a small few of its participants spread this word internationally.

We have commented several times of ramifications directly affecting the cotton market. A primary impact is the current demand for cotton imports by China. As mentioned, the U.S. cotton grower as well as other growers, will benefit as China must import cotton to use in its non-Xingjian textile industry.

Historically, increased homes sales and housing starts were excellent barometers for cotton demand. Additionally, increased apparel sales and strong “back to school” sales were fundamental factors suggesting increased cotton demand. However, now that polyester has taken the consumer market, the very strong numbers associated with the housing and apparel mean little for cotton demand. We have lost those markets. The best we can hope for is that the “better home numbers” mean a few more towel sales. However, that is not enough to get excited about in looking for increased cotton demand.

Cotton is in desperate need of a program to push its attributes to the consumer and gain some consumer attention. This week’s export numbers portray cotton’s struggle. Net weekly sales totaled 92,700 bales of upland cotton, with 39,500 bales or 43% of the total going to China. Sales to Vietnam (51,100 bales) and China accounted for 98% of the weekly U.S. export sales.

Therein is why cotton prices are hamstrung below 70 cents with only “hope” to pull prices into the upper 60s. Week after week, only some one to three countries account for all the exports sales – China and one or two more countries.

There is not any widespread demand for cotton. Dare I repeat – it is demand that creates a bull market. I am not a bear, but we have done most of what we can do for now.

We need the late Willard Sparks now. We have noted for several weeks the level of demand for oilseeds, corn and pork coming from China, not to mention cotton demand. Several weeks ago, we noted that China needed soybeans with a "capital N." We know that Brazil has sold all its soybeans to China, and that China continues buying U.S. beans daily. China will buy more – maybe all the remaining U.S. crop, but that is a stretch.

We noted on last month's radio show that oilseeds in Europe were facing drought conditions. How does that relate to cotton? The 2021-22 market is setting up to be a real bull for oilseeds and a downer for cotton. U.S. cotton acreage could be off as much as one million acres in 2021 due to increases in soybeans and corn prices.

Yet, cotton demand – especially demand for quality cotton – will possibly be at a record premium in 2021-22, as market conditions are suggesting that 2020-21 cotton carryover will be totally void of any high grades. China may buy all the U.S. has (note: you hear the Chinese Reserve sells out every day – it's simple, since most lots contain the only high grades China has).

The 2020 crop carryover may consist only of discounted cotton, 41-4-34 – the old standard SLM 1-1/16 inch. It's still the base grade for New York. However, it is without doubt a discounted grade in the world market. The seed companies have done their part and given the world dependable crop grade of 31-3-36. It is time for some organization to speak up for the U.S. grower and enlist changing the New York contract to the world standard. Otherwise, it is time for the U.S. grower to align himself with some organization that will speak on behalf of the grower's marketing interest.

Prices will continue to back and fill between 64.50 and 67.00 cents into the October USDA world supply demand report. Most of the trading will be above 65 cents.

Source: cottongrower.com– Sep 28, 2020

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China: Market hub buzzes despite downturn

The new dual-cycle development pattern proposed by the country's central leadership has boosted foreign trade in a Chinese city dubbed the "world's supermarket".

This progress has been achieved during the COVID-19 pandemic and other global uncertainties.

This year, the top leadership has on a number of occasions reaffirmed the idea of a dual-cycle development pattern for economic growth.

This means such expansion will rely on economic developments at home and overseas—with the domestic cycle being the mainstay—along with the development of tourism and the services sector.

As a result, domestic and overseas traders are now flocking to the Yiwu International Trade Market in Zhejiang province.

One of the world's largest trading hubs for small commodities, the market is a key player in consumer goods sales.

Despite the pandemic and other worldwide economic woes, the trade volume at the venue has surged, and the market is playing a significant role in stabilizing China's foreign trade and restoring confidence in consumer goods production.

Yiwu is home to more than 2 million medium-, small-and micro-sized businesses, which sell commodities to some 200 countries and regions every year.

The total value of the city's imports and exports reached 136.25 billion yuan ($19.58 billion) in the first six months of this year, a year-on-year rise of 1.6 percent, according to the city's customs authorities.

After a short pause in business due to the pandemic, the Yiwu International Trade Market has sprung back to life as the outbreak has been largely contained in China.

The hardware sector has been among those most severely hit by the pandemic in the city.

Exports, which used to account for 90 percent of hardware product sales, have declined rapidly this year. Local exporters have shifted their focus to the domestic market, with the proportion of hardware products sold in China rising from 10 percent to 30-to-40 percent.

Chen Yanzhen, manager at a hardware exporting company at the market, said, "The pandemic is a golden opportunity and has made us make changes to integrate both the domestic and overseas markets."

Zeng Xiangwan, a clothing exporter at the venue, said he has expanded his store this year and hired more employees. They have been trained in sales tactics aimed at domestic buyers and also in new selling methods, such as livestreaming.

"I'm now thinking about selling clothing to supermarkets in China, as compared with foreign trade, there is more potential in the domestic market," he said.

Textiles and fashionable clothing at Zeng's store recently passed tests for national safety standards, paving the way for him to enter the domestic market.

"The test reports offer us a passport to domestic supermarket chains, and vice versa, and these reports are also acknowledged worldwide. So, when foreign trade improves, more overseas buyers will recognize the quality of my products and purchase them," he said.

"The domestic market is untapped territory and a 'huge cake' for us to take a bite of, as it has exemplary logistics, financial and business services, and a huge consumer base to tap. I think my company will remain focused on domestic sales, but will also place considerable emphasis on exports," Zeng said.

Source: global.chinadaily.com.cn– Sep 28, 2020

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China registers high demand for cotton yarns

Cotton textile firms in Jiangsu, Shangdong and Anhui have reported a massive decline in inventories of high-count pure cotton yarns and polyester-cotton blended yarns in China due to high demand for last couple of weeks, says Apparel Resources.

Demand for ring spinning and OE yarns of C40S (or below) has surged in the terminal consumer market and most of the spinning mills have accelerated their destocking for these products.

According to a medium-scale cotton spinning factory based in Jiangsu, there have been two major trends for mainstream yarn products since August: increase in the output of carded 40S and combed cotton yarns above 40S, while reducing cotton yarns with counts below C32S and increase in the production capacity of T/C 65/35 45S, T/C 60/40 45S and other polyester-cotton blended yarns including T/C 35/65 and other inverse proportion polyester-cotton yarns

However, the situation might not remain intact in long run seeing the USA's ban of importing cotton from Xinjiang, China. The only satisfactory development for the Chinese cotton mills is that the COVID-19 spread is under full control which has made it possible to get production back on track.

Source: fashionatingworld.com– Sep 28, 2020

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What was India-USA trade been like in the last 10 years?

As per the World Trade Statistical Review – 2020 report by World Trade Organization (WTO), USA is the World's largest trader for the year 2019. As per the same report, India ranks 12th among the world countries in terms of the total value of trade. This includes the trade of both goods and services.

Apart from being leading traders in the world, both the countries engage in considerable amount of trade between them. While India ranks 9th among the USA's trading partners in goods for the year 2019, USA overtook China as India's leading trade partner in 2018-19 and continued to stay in the top position in 2019-20.

So, what has contributed towards this improved position of USA as India's trade partner? Has there been any change in the trade policy or is there an increasing trend in the trade of specific goods? In this story, we take a look at India-USA trade numbers and analyse trends over the last few years with the current Trump administration being in the final year of the current tenure.

In 10 years, trade increased by over 200% in rupee terms and over 95% in dollar terms

As per the data available on India's Department of Commerce's Export-Import Data Bank, during 2010-11, the total value of trade between India and USA (both imports & exports) was Rs. 2.06 lakh crores. In the ensuing 10 years, the value of trade increased continuously to reach Rs. 6.29 lakh crores in 2019-20 i.e. more than 3 times the value of trade in 2010-11. However, the increase in dollar terms was not on the same scale. In 2010-11, the total value of trade was USD 45.34 billion which increased to USD 88.91 billion in 2019-20. The significant appreciation of the dollar against rupee may have also played a role in the greater increase of trade in rupee terms. During this period, the trade in dollar terms increased by around 96% compared to the over 200% increase in rupee terms.

During this 10-year period, the greatest percentage increase in trade both in rupee & dollar terms was in 2011-12 when it increased over 34% in rupee terms & by over 28% in dollar terms compared to 2010-11. The year 2018-19 also marked a significant increase in trade with it increasing by over 28% in rupee terms and by over 18% in dollar terms compared to 2017-18.

As highlighted earlier, 2018-19 was the year when USA claimed the top spot as India's trading partner.

Despite a fall in recent years, trade balance has increased substantially in the last 10 years

India has an overall negative trade balance i.e. the value of the goods imported is higher than the value of the goods exported. However, the case of trade with USA is different as India has a trade surplus i.e. the value of exports to USA are higher than that of imports.

In 2010-11, India had a trade surplus of Rs 23.8 thousand crores with the USA which in dollar terms was USD 5.24 billion. The trade surplus has now increased to Rs.1.22 lakh crores in 2019-20 which in dollar terms is USD 17.27 billion. The trade surplus was the highest in 2017-18 when it was Rs. 1.37 lakh crores and USD 21.27 billion. However, the trade surplus has fallen in both 2018-19 & 2019-20. The decrease in trade surplus coincides with the increase in overall trade in the last two years.

Click here for more details

Source: factly.in– Sep 28, 2020

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Global e-com sales 7% higher post 66% May pandemic spike

Following a 66 per cent spike in daily online sales in May, when most physical stores were shut and consumers at many places were still under strict lockdowns, data from a new study suggests e-commerce performance globally has levelled off, now averaging 7 per cent higher online sales daily and 3 per cent greater traffic than at the same time last year.

Among the lasting winners of the shift to e-commerce due to the pandemic is the home & garden vertical, which was averaging daily sales 42 per cent higher in early August compared with the early phase of the crisis in March, according to the study by Nosto, the commerce experience platform.

Fashion & accessories also remains buoyant, with sales 18 per cent higher in August than at the onset of the crisis and 10 per cent higher year over year

(YoY). Beauty & skincare, on the other hand, has suffered a big climbdown with sales down by 20 per cent compared with March.

Its study, 'The State of E-commerce Q3 2020', analysed the performance of 500 online retail brands in the United States, the United Kingdom, France, Germany, Austria, Switzerland, the Nordic countries and the Asia Pacific (APAC) across six key vertical sectors between March and August this year and in 2019.

Nosto's data suggests that overall sales and traffic remained 7 per cent and 3 per cent higher YoY in August, which is unlikely to be enough to make up for the drastic drop in brick and mortar sales throughout the continuing pandemic affected period.

At present, the overall e-commerce conversion rate across all sectors is sticking at around 6 per cent higher YoY, which suggests that either shoppers are much more committed to making purchases when they visit online stores or that retailers are doing a better job at convincing them to buy, a press release from the company said.

At the same time, however, AOV across e-commerce is trending at just below last year's numbers (between 0 and -3 per cent below 2019), most likely because people are being cautious and counting their pennies due to ongoing economic uncertainty.

Fashion & accessories e-commerce is seeing a lasting upside from the crisis with daily visits up by 15 per cent, daily sales up by 18 per cent, conversion rates up by 12 per cent in August compared with the start of the study on March 1 (the study covers a 140-day period between March 1 and August 1). YoY daily sales in the sector were 10 per cent higher in early August 2020 than they were at the same time last year.

Meanwhile, the AOV within fashion & accessories is down by 6 per cent from the start of the pandemic. Even though shoppers are browsing and buying clothes online more than before, they are not splurging or opting for the more expensive options.

Source: fibre2fashion.com– Sep 28, 2020

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Vietnam: Textile-garment exports likely to exceed EAEU quota: Trade Ministry

The Ministry of Industry and Trade today, September 28, announced that Vietnam's textile-garment exports to the Eurasian Economic Union (EAEU) are about to exceed the trigger level, or the total amount subject to preferential tariffs allowed into the EAEU markets for this year.

The Eurasian Economic Commission on September 15 sent an official dispatch to the ministry, warning it that Vietnamese textile-garment items, which are entitled to preferential tariffs when shipped to the Union under the Vietnam-EAEU free trade agreement, are at risk of exceeding the trigger level established in the trade pact. Specifically, Vietnam's dresses, skirts and other female clothing exports to the EAEU from January to July this year reached 79.4% of the quota, or the trigger level set for 2020.

According to the agreement's Article 2.10 on trigger safeguard measures for 12 Vietnamese product lines for export, textiles and garments will be subject to trigger safeguard measures while being shipped to the EAEU. Depending on the export volume that exceeds the trigger level, local textile-garment products will not be entitled to preferential taxes and will be imposed Most Favored Nation import duties for a period from six to nine months.

The trade agreement came into force on October 5, 2016, enabling local enterprises and the EAEU, consisting of Russia, Belarus, Kazakhstan, Armenia and Kyrgyzstan, to take advantage of trade and investment incentives and accelerate cooperation over the economy, trade and investment.

According to data from the General Department of Vietnam Customs, Vietnamese products enjoying preferential tariffs under the pact chiefly comprise textile-garments, footwear, seafood, agro items, phones and accessories.

As for the EAEU side, freshwater salmon, corn, fertilizers, plant oils, iron and steel, trucks and some diesel-powered vehicles are entitled to preferential tariffs as a result of the deal.

Source: english.thesaigontimes.vn– Sep 28, 2020

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Pakistan: Multilateralism on the line

Representing the most ambitious attempt ever made at multilateral trade integration and putting in place a rules-based international trading system, the World Trade Organisation (WTO) is in disarray.

The impasse over selection of a new head (called director-general) is a reflection of the increasing emaciation as well as irrelevance of its 164 member countries.

Set up in 1995, the WTO is the successor to the General Agreement on Tariffs and Trade (GATT), which together with the World Bank and the International Monetary Fund (IMF) – collectively known as the Bretton Woods Institutions – formed part of the post-World War-II international economic order.

As an organisation, the WTO was conceived to perform three principal functions: to administer a set of multilateral trade agreements among its members, which created both legally binding rights and obligations; to serve as a forum of multilateral trade negotiations aiming at furthering trade liberalisation; and to provide a rules-based system for settlement of disputes among the members with regard to their commitments as well as interpretation of covered agreements.

Two out of these three objectives have hit a snag in recent years. Trade liberalisation has both winners and losers. On balance, competitive or efficient sectors or enterprises are the winners while their inefficient counterparts are the losers.

Since generally every economy has both efficient and inefficient sectors, WTO members have tended to be forthcoming in liberalising those sectors in which they are relatively more efficient whereas they have been reluctant to liberalise those sectors in which they are relatively less efficient.

Developed countries, for instance, have a highly protected and heavily subsidised agriculture sector. In Switzerland, tariffs on some agricultural products exceed 1,000%.

Japan applies 1,000% tariffs on import of rice while those on dairy products are as high as 600%. EU countries apply tariffs of more than 200% on several agricultural products. In case of the US, tariffs on a number of farm products are close to 100%.

Not to be left behind, developing countries, by and large, have highly protected industrial sub-sectors. India, for example, applies more than 250% tariffs on some textile products. Likewise, Pakistan has a highly protective auto sector.

Then there are non-tariff measures (NTMs), which mostly take the form of product standards and technical regulations. At times, the NTMs serve a legitimate policy objective, such as consumer health and safety, but at times they are designed to impede trade and thus offset any increased market access promised by tariff cuts.

Negotiations in the WTO are made on the basis of a single undertaking, which means nothing is agreed until everything is agreed. It is not possible for member countries to push for an agreement in sectors of their export interest while shying away from liberalising their sensitive sectors. As a result, the process of liberalisation has stalled.

Growing influence

Another development that hobbled trade negotiations is the growing influence of developing countries. Like developed countries in the past, major developing economies at present are capable of scuttling any multilateral trade deal if it is not to their satisfaction.

Since it is better to have no deal than a bad deal, developing countries have refused to open up their protected sectors until developed countries liberalise their protected sectors.

Trade without discrimination (the MFN clause) is the fundamental principle of the WTO. However, one of the exceptions to the most favoured nation (MFN) principle is the bilateral and regional preferential trade arrangements (PTAs).

In the wake of a mushroom growth of PTAs in the last 15 years, the MFN is no longer the rule, rather it has become almost an exception, as it is easier for countries to negotiate and seal deals on a bilateral or regional basis than to do so on a worldwide basis.

It is because of these factors that the Doha Round of trade negotiations, which was launched in 2001, could not be completed. Thus, one of the basic purposes of the WTO was thrown into a tailspin.

The dispute settlement system (DSS) of the WTO has been one of its major achievements. Comprising an elaborate mechanism, the DSS is designed to make a member withdraw a WTO-inconsistent measure.

The DSS, however, is not without its detractors. It is alleged that the system undermines state sovereignty as the dispute settlement body may declare a national piece of legislation or an executive act incompatible with the country's international obligations under the WTO.

The long time taken to complete the withdrawal of a WTO-inconsistent measure has also come under fire.

Anti-trade practices

The inauguration of Donald Trump as US President further undermined the efficacy of WTO – though it must be admitted that the WTO was in disarray even before his rise.

The Trump administration has made no bones about its anti-trade liberalisation prejudice. From time to time, it has called into question the WTO's raison d'etre.

Two specific policies/actions of the administration inflicted grave damage to the WTO. The first was unilateral imposition of punitive tariffs on imports from several countries, particularly China, which was manifestly contrary to the DSS of the WTO.

Recently, a WTO panel has ruled that the additional tariffs on China didn't meet the WTO requirements. However, this ruling is likely to fall flat, at least as long as Trump is in the White House.

The second was the obstruction to filling vacancies in the Appellate Body, which is an integral part of the DSS. As a result, the Appellate Body's strength has been reduced from seven to only one, thus rendering it unable to perform its functions.

The WTO's problems were further compounded when its director-general Roberto Azevedo stepped down prematurely on August 31, thus hurling the body into a leadership vacuum.

Although the leadership vacuum is temporary – unless Washington puts its foot down and blocks consensus on the appointment of a new DG – the failure to perform its core functions indicates that the body's fate hangs in the balance at a time when anti-globalisation sentiment is spiralling.

Come Covid-19. Although the pandemic has underlined the need for adopting a multilateral response to global challenges, be they economic or health-related, in practice countries, by and large, will adopt protectionist measures to revive their sagging economies. In this situation, multilateralism is likely to take a back seat.

Despite its shortcomings, the WTO has made veritable contributions to international trade over the years, of which at least two need a special mention.

It has brought into sharp relief that trade among countries is subject to explicit rules, which are binding on all members regardless of their size or economic muscle. International trade should not only be freer; it ought to be fair and transparent as well.

Until quite recently, powerful countries have often found it difficult to disregard WTO's adverse rulings on their policies or acts.

Second, the WTO has brought home that since humanity faces common economic challenges, a multilateral approach, which takes into account interests of all groups of economies, is the best answer to them.

It is on the forum of WTO that developing countries and the least developed countries (LDCs) found themselves collectively strong enough to resist being dictated by developed countries and safeguard their interests. Bilaterally, they might not have been able to do so.

The alternative to multilateralism is unilateralism, where unfettered by common rules and obligations, big, powerful countries are apt to act arbitrarily at the expense of their smaller trading partners.

As some of the current US policies amply demonstrate, unilateralism ends up in sanctions and trade wars, which both compress the size of economic pie and breed political tensions. Unfortunately, unilateralism is gaining currency.

Source: tribune.com.pk– Sep 29, 2020

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Bangladesh must be in the premier league of a new apparel industry

A new study by the International Labour Organisation (ILO) suggests that the impact of the coronavirus pandemic will be deep and long-lasting. The research argues that global garment supply chains will undergo profound changes as a result of the pandemic. They say the pandemic will speed up current trends which include an increased focus on technological advancement as well as greater supply chain agility. Their report also suggests that we could see a move towards a "two-tier supply chain," where large, cash-rich suppliers race ahead with the use of advanced technologies, while the "race-to-the-bottom" suppliers focus on cost-cutting simply in order to stay afloat.

A key point made in the research is that global apparel supply chains will become polarised. The authors say there will likely be a deepening divide between large and professionalised and non-professionalised manufacturers, which will present the industry with two clearly defined diverging paths.

On the one hand, some factories are likely to become professionalised and offer more technologically advanced production. As a result, these factories will be able to support increasing demands for transparency, flexibility and agility in production processes and enhanced social and environmental standards. This development will likely result in closer partnerships between some buyers and manufacturers and possibly in more balanced power dynamics. In other words, manufacturers like this will be better placed to negotiate with buyers.

On the other hand, stretched margins will drive some factories and buyers to focus on solely cost advantage at the expense of other considerations. We know about these kinds of suppliers. They are stuck in a race to the bottom which is almost impossible to escape.

Bangladesh, as the second largest garment manufacturing hub in the world, has a decision to make: which side of the fence is it going to be on? Will it be the professional, the leader, the high tech, high added value side? Or will it re-join the race to the bottom, forever fighting a battle against low wages and feeding off scraps from brands?

The ILO study does suggest that this "two-tier" industry will be seen within countries. So that means that within Bangladesh, we might have laggards and leaders.

While this may be the case, as a country, I believe we have to set out our stall now—our heads of industry have to work with the government to decide how they can ensure that we are all dining at the top table when it comes to apparel manufacture. By that I mean Bangladesh needs to prepare for the new normal by providing brands and retailers with a world class ready-made garment sector, producing high quality apparel in sustainable conditions—and paying a fair wage to workers.

I truly believe the decisions our industry takes now will define us for the next two decades. Over the past two decades we have become synonymous with low cost clothing, thousands of manufacturers producing the same staple items.

Thinking in terms of the ILO report above, we now have a chance to change that picture and reimagine our industry as a different animal entirely. Now is the time for our industry to double-down on its investment in technology and sustainability and for our government to ensure we have the right kind of graduates entering the sector—people who can lead us into a bold and bright future, the top-tier of apparel manufacturers globally.

Is this too much to ask? The ILO report makes clear, in tomorrow's apparel supply chains we will be seeing a survival of the fittest. There will certainly be an industry cull, and our RMG sector will probably be smaller moving forward. How much smaller, nobody knows at this stage.

But we sit amidst a period of great change and upheaval. Separate to Covid-19 is the steady unravelling of apparel and textile supply chains in China. The United States has just announced that it intends to ban the import of all cotton and apparel which has links with Xinjiang in North Western China due to concerns over forced and prison labour. It is impossible to overstate how huge this is, and it offers further evidence of the huge shifts we are seeing in the industry.

Brands and retailers are looking for new sourcing partners, as many fear huge fines if their shipments are stopped at the US ports because they are found to contain produce from the vast cotton fields of Xinjiang.

China has always been in the top tier of apparel manufacturer but there is a good chance that brands will be giving the country a wide berth beyond 2020.

Bangladesh should take heed of the ILO's findings about a two-tier industry and decide what type of apparel production hub it wants to be.

More than ever, it's time to think big.

Source: thedailystar.net– Sep 28, 2020

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How has Bangladesh managed the pandemic-affected economy so far?

Some indicators of the Bangladesh economy have started to show positive signs in the recent period. Among those are remittances and exports of readymade garments (RMG), which were affected hugely since the outbreak of Covid-19 in Bangladesh in March 2020. Both these sectors are important sources of employment and foreign exchange income for the country. These two sources are important transmission channels of pandemic-induced impacts on the economy.

Before the pandemic, remittances registered a robust growth of 21.5 percent during July to February of fiscal year (FY) 2020. As soon as the pandemic hit the world, Bangladeshi workers started to return to the country. Outmigration of workers also stopped. This created much concern regarding the flow of remittances into the country. Surprisingly, remittance inflow has increased significantly in recent months, which is even higher compared to the last fiscal year. The amount of remittances sent by Bangladeshi migrant workers was USD 2.6 billion in July 2020, compared to USD 1.6 billion in July 2019. Similarly, in August 2020, remittance inflow was USD 1.96 billion as opposed to USD 1.44 billion in August 2019. This increase has happened when the number of workers going abroad has slowed down noticeably. Although most of the workers returned to the country in the first two weeks of April 2020, the flow of returnee migrants still continues.

Several explanations for this unprecedented increase of remittances have been offered. It is not uncommon for overseas workers to send more savings back home during a crisis. This is mainly for two reasons. First, they want to help their families during economic hardships. Second, since many workers have to return home and there is no guarantee of going back to their jobs, they bring back all their savings. There may also be other reasons. For example, the unofficial route of sending money to families may have been disrupted during Covid-19. So, remitters are resorting to banks for sending money. Whatever may be the reason, the increased flow of remittances at a critical time such as the pandemic has been a respite for the country.

As for the RMG exports, the pandemic has severely hurt the global demand for clothing. Hence, global apparel buyers either suspended or canceled orders from Bangladesh during April-May 2020. This was equivalent to USD 3.18 billion. RMG exports declined to USD 374 million in April 2020, which was more than 85 percent lower than April 2019.

It is now reported that most of those global brands are returning and reinstating their orders. According to the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), the growth of RMG exports in August 2020 compared to that of August 2019 was 2.58 percent. As economies across the world have started to open up, Bangladesh's total exports also grew in August 2020. This is mainly due to increased apparel exports. It is expected that Christmas will improve the demand further, since around 62 percent of total RMG exports goes to the EU market and about 21 percent goes to Canada and the USA.

The gradual comeback of the Bangladesh economy is reassuring. If this trend continues and sustains, Bangladesh will probably stand out as one of the most resilient countries to bounce back early from the negative consequences of the coronavirus crisis. The pandemic has undoubtedly impacted the country in many ways, as it has impacted the world. It has slowed down the growth momentum that Bangladesh has been experiencing during the last few years. Many people who had graduated from poverty in the last decades have fallen into poverty again. The pace of poverty reduction in the country has been hampered, unemployment has increased and the employment of about 1.5 crore people is at risk. Inequality is also expected to increase due to income and employment loss of the poor in the face of the pandemic.

While the challenges due to the pandemic are multi-pronged, the efforts of the government of Bangladesh to deal with these difficulties are also noticeable. The government has undertaken a number of crucial and timely measures to tackle the negative impacts of the pandemic. The coronavirus outbreak has created pressure on the fiscal framework of Bangladesh, which is still a least developed country (LDC) with an average per capita income of USD 2,064. Health measures needed additional resources. The affected economic sectors also had to be supported through financial resources. This has been difficult, since domestic resource generation could not be accelerated due to subdued economic activities. In this backdrop, a number of factors have helped the government to manage the fiscal stress, to some extent, during the ongoing pandemic.

First, stimulus packages equivalent to over Taka one lakh crore or 3.7 percent of Bangladesh's Gross Domestic Product (GDP) have been provided, mainly as credit support from commercial banks. The central bank of the country created liquidity space for the banks through a few monetary tools. It had reduced the cash reserve ratio (CRR) and increased the advance-deposit ratio (ADR) so that the banks can extend loans to the affected sectors. The government also provided interest subsidies by sharing half of the interests to be charged by the banks. This way, the government entrusted the commercial banks to take care of almost 82 percent of the total stimulus packages.

Second, the government has streamlined public expenditures. In recent years, Bangladesh has been implementing several large infrastructure projects that would help the country advance further. However, keeping the resource stress in mind, relatively less employment generating and less urgent projects have been deferred.

Third, imports saw a decline. Lower import payments have also helped to manage fiscal stress, since total imports declined by 19.4 percent in July 2020 compared to July 2019. A large amount of import payments have been deferred or delayed due to Covid-19. At the same time, lower global prices of petroleum have helped Bangladesh to save expenditures on petroleum imports.

Fourth, agricultural harvests have been very good in Bangladesh, despite the pandemic. The growth of Aman rice production was higher in FY2020 than in FY2019. Bangladeshi farmers have also gifted the country with other agricultural products, which has been a respite for the government.

Fifth, a number of international agencies and development partners have come forward with assistance exclusively to tackle the economic fallout from the coronavirus pandemic. The government has received around USD 2 billion as budgetary support from them. In FY2020, disbursement of foreign assistance increased to USD 7.2 billion, compared to USD 6.5 billion in the previous fiscal year. Budget support was provided by the Asian Development Bank, Asian Infrastructure Investment Bank, International Monetary Fund and World Bank.

Due to the above initiatives and circumstances, Bangladesh has been able to reduce the pressures from the pandemic to some extent. However, the road to recovery from the devastating impacts of the coronavirus will be longer. It is still uncertain how long the pandemic will last and when the vaccine will be available to all.

Besides, Bangladesh's economic revival will also depend on how other countries manage the pandemic and how they recover from their own economic shocks. As the Bangladesh economy is integrated with the global economy, the pace and sustainability of Bangladesh's recovery from the impacts of the pandemic will depend on external factors to a large extent.

Source: thedailystar.net– Sep 29, 2020

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Bangladesh: India wants easy access for export

The Indian government has sought easy access for its ethnic wear products to Bangladesh saying that business opportunities in the industry had remained untapped between the two countries.

The Indian textiles ministry recently proposed to Bangladesh to create a special provision for export of its ethnic wear products such as kurtas and kurtis, salwar suits, bottoms like churidaars, palazzos and leggings, sarees and blouse sets, skirts, sherwanis, jackets, kotis, indo-western dresses and gowns to Bangladesh for mutual benefits.

Bangladesh and India have taken a move to sign a memorandum of understanding to enhance trade and economic relations in a balanced manner by expanding business and cooperation in the sphere of textiles, including cotton, jute, silk, handlooms, clothing and fashion industries and skills training institutions.

In the draft memorandum, India proposed to collaborate in the ethnic wear industry for mutual benefits and to explore the global opportunities in this untapped segment. It also sought Bangladesh's assistance to open retail stores to promote sales of ethnic wear. India made the proposal at a meeting held to scrutinise the draft memorandum at the textiles ministry in Bangladesh on September 23.

Earlier, Clothing Manufacturers Association of India chief mentor Rahul Mehta, in a letter, requested the Indian textiles ministry to take an initiative so that their ethnic wear products could get easy access to Bangladesh with special tariff. Signing of the MoU with Bangladesh for the textile industry would indeed be an extremely important step to assist the domestic garment industry of India, he said in his letter.

'Apart from concerns regarding unrestricted Imports of Garments from Bangladesh – which I am fully aware has severe constraints – this could be an excellent opportunity for us to push for lowering of tariffs for Imports of Indian Garments into Bangladesh,' the letter said.

The Clothing Manufacturers Association of India suggested that its government should include the issue of ethnic clothing in the memorandum as the items were not being manufactured in any significant quantity in Bangladesh, and at the same time had good demand locally. 'You will recall that keeping in mind Bangladesh's concerns about protecting their Domestic Industry, we had suggested having a separate tariff for Ethnic Clothing, and possibly the need for creating a unique HS Code for this Category,' Rahul said in his letter.

Bangladesh Knitwear Manufacturers and Exporters Association first vice-president Mohammad Hatem said that they were examining the draft memorandum considering the mutual benefits for both countries. 'Bangladesh's textile sector would be benefited if we get technical support from India. But we do not agree with India's proposal for easy access of its ethnic wear products to Bangladesh as a good number of local manufacturers are making the products,' he said.

Source: newagebd.net– Sep 28, 2020

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NATIONAL NEWS

India's GDP to contract 11% in FY21: ICRA

ICRA has revised its FY21 forecast for the contraction in India's GDP downwards to 11 per cent from its earlier projection of 9.5 per cent due to fresh Covid-19 infections remaining elevated at the end of Q2 (July-September) FY21.

The credit rating agency cautioned that if the pace of year-on-year (YoY) decline in Q1 (April-June) FY21 gets revised below the initial estimate, after data for the MSME (micro, small and medium enterprises) and less formal sectors becomes available, the overall GDP outcome for FY21 could be even worse than its expectations of an 11 per cent contraction.

Nevertheless, higher government spending, a faster global recovery, and an early decline in fresh Covid-19 cases could impart an upside to these forecasts, it added.

While ICRA expects the economic situation to improve in H2 (October 2020 to March 2021) FY21 relative to H1 (April to September 2020) FY21, it has revised its year-on-year (YoY) forecasts for Q3 (October-December) FY21 (to -5.4 per cent from -2.3 per cent) and Q4 (January-March) FY21 (to -2.5 per cent from +1.3 per cent) relative to its earlier projections.

Aditi Nayar, Principal Economist, ICRA Ltd, said: "With the pandemic continuing in India for over six months, we sense that economic agents are now adapting to the crisis, resulting in a graduated recovery to a new post-Covid normal.

"Nevertheless, with rampant Covid-19 infections, we expect behaviours to remain altered for longer than what we had earlier presumed. This would continue to depress activity in some sectors, especially where social distancing is difficult such as travel, tourism and recreation."

Additionally, the continued economic uncertainty and health concerns would result in a prolonged impact on consumption and investment decisions, she added.

Revenue shock

Further, the revenue shock being experienced by the Central and the state governments would limit the extent of fiscal support that may be forthcoming and result in protracted fears about deferral of both the capex (capital expenditure) and the release of timely payments, according to ICRA.

Moreover, fresh restrictions being imposed in major trading partners following a new wave of Covid-19 cases, could cap the extent of further improvement in exports in the near term, it added.

Recovery along expected lines

The agency observed that after the expected plunge in Indian GDP (at constant 2011-12 prices) in Q1 FY21, the recovery in Q2 FY21 has broadly evolved along anticipated lines.

ICRA expects the YoY contraction in GDP to narrow considerably to 12.4 per cent in Q2 FY21, from 23.9 per cent in Q1 FY21, in line with its previous forecast.

"There are some early green shoots, such as the sharp revival in passenger vehicles and motorcycles, but those seem to be driven by pent up demand as well as inventory restocking, casting some doubts on their sustainability. "Moreover, the outlook for agriculture appears bright, which should continue to bolster farm demand," said Nayar.

In addition, many sectors have witnessed activity stabilising at levels that are moderately below their pre-Covid performance, a trend which may entrench over the next two quarters, before a further substantial uptrend materialises.

However, there have been some slippages as well, such as the worsening pace of contraction of electricity generation, crude oil and refinery output, diesel consumption and non-oil merchandise exports, reinforcing the view that the return to normalcy will not be smooth, Nayar said.

"We expect construction as well as trade, transport, hotels, communications and services related to broadcasting to recover with the longest lag and continue to underperform the rest of the economy.

"We believe the gross value added (GVA) at basic prices for these sectors would record a contraction even in Q4 FY21, despite the favourable base effect, resulting in the overall GVA and GDP continuing to record a YoY decline in growth in that quarter," Nayar added.

Source: thehindubusinessline.com– Sep 28, 2020

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Cotton futures firm at Rs 18,100 per bale in evening trade

Cotton futures traded firm at Rs 18,100 per bale on September 28 as participants widened their positions, as seen from the open interest.

The market expects Indian cotton exports to surge by nearly 30 percent in the 2020-21 season following attractive cotton prices, said Mohit Vyas, an analyst at Kotak Securities. He expects cotton to continue with marginal gains this week as well but upcoming new crop arrivals in domestic market, CCI continuing to offload its old cotton stock and bumper production prospects may cap gains and keep it range-bound with bias being on the positive side.

According to agriculture ministry data, Indian cotton output this year may be in excess of 371 lakh bales, compared to 355 lakh bales produced last year.

Cotton arrivals across the country during September 1-25 have more than doubled from the previous month at 49,530 tonnes, but it is still down by 31 percent from last year, as per Agmarknet data.

In the futures market, cotton for October delivery touched an intraday high of Rs 18,180 and an intraday low of Rs 17,880 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 18,260.

Cotton futures for October delivery gained Rs 70, or 0.39 percent, to Rs 18,100 per bale at 7:36 pm IST on a business turnover of 779 lots. The same for November contract rose Rs 160, or 0.89 percent at Rs 18,120 per bale with a business volume of 410 lots.

The value of October and November's contracts traded so far is Rs 12.76 crore and Rs 2.02 crore respectively.

Kotak Securities expects cotton to consolidate near current range this week but upcoming supply pressure from the US will keep long term outlook marginally weak.

Source: moneycontrol.com– Sep 28, 2020

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How sustainable is the cotton rally?

Current high prices may not hold for long as mounting stock levels and lacklustre domestic demand may exert pressure on rates

The price of cotton, one of the most-traded agri commodities on exchanges, and an important gauge of economic activities, has gone up in the last two months.

This is thanks to the positive sentiment that emerged in the aftermath of crop destruction in the US caused by hurricane Sally. The USDA's downward revision of global cotton output, too, added to the sentiment.

The ICE (Intercontinental Exchange) Futures Cotton #2 contract, a global benchmark for cotton, is trading at 66 cents per lb, up from 60 cents in July. The price per candy in the domestic market (of Shanker-6 variety) has rallied up, too; in Rajkot, the price per candy is ₹35,000, up from ₹32,000 in July, as traders absorbed the stocks in the market by buying from CCI (Cotton Corporation of India).

That said, demand is not very strong. In India, cotton consumption has dropped by about 20 per cent over the last year due to a drop in demand from spinning mills. Output in 2019-20 season (October-September) is estimated to be higher by at least 42 lakh bales. Hence, there is excess supply. Caution is advised for cotton traders here on.

Excess supply

Given the lockdown and restrictions on movement, demand for textiles, and thus demand for cotton from spinning mills, has been lower this year.

In the 2018-19 (October-September) season, the total domestic consumption of cotton was 312 lakh bales, but in the current year, the estimate of the Cotton Association of India (CAI) is 250 lakh bales.

Exports have improved (till July 31, it was 43lakh bales) and likely to finish the year at 50 lakh bales (as per the CAI estimate), up 8 lakh bales from last year.

It isn’t, however, going to make up for the loss of 62 lakh bales in domestic consumption (250 lakh bales vs 312 lakh bales). Thus, the 2019-20 cotton season is likely to end with a closing stock of 103 lakh bales, which is up from the initial estimates of 45-50 lakh bales.

A USDA report released early this month indicated a small drop in the closing stock of cotton for 2020-21 — from 104.91 million bales to 103.81 million bales. It is still the highest since 2014-15.

The dispute between the USDA and the CAI over India’s cotton closing stock for 2019-20 (August-July) has not been sorted out.

Though the USDA in its recent report revised downwards India’s closing stock estimates from 19.2 million US bales to 17.86 million US bales for 2019-20 (August-July), it is still higher than the estimates of CAI at 11.2 million US bales.

However, the move by USDA to correct the closing stock numbers by about 2 million US bales has kindled positive sentiment in the Indian market in the last two weeks and helped prices.

That said, investors and traders need to be cautious here on as new crop arrivals are set to begin. According to the data of the Ministry of Agriculture (issued on September 18), the cotton acreage in the kharif season reached about 129.47 lakh hectares compared with 127.09 lakh hectares last year, with Telangana, Karnataka, Punjab and Haryana reporting higher areas.

While CAI’s estimate of output is about 354.5 lakh bales, market estimates are around 380 lakh bales. This is despite a drop in acreage in Gujarat.

Procurement

In 2019-20, the CCI procured about 107 lakh bales, probably the highest ever in a year since it started procurement operation. It was apprehended that CCI might not be able to sell the stock, but the corporation succeeded by offering price discounts. It sold about 50 lakh bales in the last few months.

Now, there is space available with CCI to procure the current season's crops. But one has to wait and watch as to when the CCI will start the procurement and lift prices.

Outlook

Cotton price may remain soft for the next three months. Fresh arrivals may start by mid-October, and chances are that prices may come under pressure because of higher market supplies and poor quality of cotton in the first few weeks as farmers bring in the fibre with high moisture.

Factors to watch out are the rupee-dollar exchange rate, the global cotton prices and physical market demand.

If international prices remain at 65-70 cents per pound and exchange rate is around 73-74, cotton exports from India will continue to be good. That said, there is no trigger for prices to move higher immediately.

On the demand front, many spinning mills are still functioning only at 60-70 per cent capacity utilisation because of labour shortage, and don't see labourers returning before Diwali. While there is some damage to cotton crops in Maharashtra because of rain, overall, the khariff output is likely to be higher. So, the market will continue to remain over-supplied in the short to medium term (next six months).

Source: thehindubusinessline.com– Sep 27, 2020

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Kharif MSP purchases start, earlier than usual

In a bid to dispel apprehension among sections of farmers over whether the MSP-based procurement system will continue, the Centre has purchased 5,637 tonne of paddy worth Rs 10.53 crore and 34 tonne of moong worth Rs 25 lakh, advancing the kharif procurement season by a few days from the normal October 1.

The procurement of paddy, the main kharif cereal, for the 2020-21 season (October-September) started on September 26 in Punjab and Haryana – the two main states where farmers are agitating against the three farm Bills that have just come law with President's assent.

The MSP of paddy has been fixed at Rs 1,868 per quintal for the season. As many as 390 farmers of Haryana and Punjab have benefitted from the last two days of procurement, the agriculture ministry said in a release. The procurement of paddy for the remaining states commenced from Monday.

The government has purchased record 51.35 million tonne of rice during 2019-20 season (October-September) and also an all-time high 38.99 million tonne of wheat during 2020-21 season (April-March). Wheat procurement for the entire year normally got over in three months (April-June). The rice procurement target for 2020-21 has been fixed at 49.54 million tonne.

Meanwhile, the Centre has approved procurement of 13.77 lakh tonne of pulses and oilseeds for 2020-21 season for Tamil Nadu, Karnataka, Maharashtra, Telangana and Haryana, so far. Nafed, the main agency entrusted with the task of procurement of pulses and oilseeds under the MSP operation, had bought about 40 lakh tonne in the previous rabi and kharif seasons together.

"For the other states, approval will also be accorded on receipt of proposal for kharif pulses and oilseeds and procurement will be made as per price support scheme (PSS), if the market rates goes below its MSP," the official statement said.

As many as 5,089 tonne of copra (the perennial crop) having MSP value of Rs 52.40 crore has also been procured from 3,961 farmers in Karnataka and Tamil Nadu till September 24, against the sanctioned quantity of 95.75 lakh tonne for Andhra Pradesh, Karnataka, Tamil Nadu and Kerala for the entire year.

The procurement of cotton for the season 2020-21 shall commence from October 1 by the Cotton Corporation of India (CCI).

Source: financialexpress.com– Sep 29, 2020

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Differences on GST may trigger dispute resolution mechanism

States opposing the borrowing plans proposed by the Centre to bridge their goods and services tax (GST) revenue gap are exploring alternatives to discuss when the GST Council meets next week and have threatened to invoke the dispute resolution mechanism envisaged in the Constitution.

Kerala finance minister Thomas Isaac said at a virtual meeting with senior ministers from West Bengal, Chhattisgarh, Puducherry and Telangana on Monday that the time has come to set up the dispute resolution mechanism to tackle the differences on GST-related matters. Punjab and Delhi too have rejected the two borrowing plans offered at the Council's last meeting in August.

The Constitution says GST Council can set up a mechanism to adjudicate any dispute between the Centre and one or more states or between states on issues arising from the Council's decisions. It is yet to be set up.

Isaac said that so far, nobody could think of a dispute which could not be resolved through discussion but it seems there is one now. "Let us have a dispute resolution mechanism within the existing framework and refer these disputed issues...if that process is not satisfactory, then there is the Supreme Court of India," Isaac said.

The GST Council is expected to meet on 5 October. As many as 22 states have already opted to borrow, which is enough for the Council to make a decision through a vote, if not by consensus. Isaac and West Bengal finance minister Amit Mitra sought suggestions from academics and experts, which could form the basis for proposals to be placed before the Council.

The virtual meeting was jointly held by the Gulati Institute of Finance and Taxation in Thiruvananthapuram and the Centre for Research in Rural and Industrial Development in Chandigarh.

It needs to be recognized that there is a genuine loss of income and that some via media needs to be worked out, said former finance minister of Jammu and Kashmir Haseeb Drabu. The Reserve Bank of India has a lot of policy instruments to help states tide over the GST shortfall and could use them given the exceptional circumstances, Drabu suggested.

The finance ministers will meet privately later to frame a strategy based on inputs from academics, Isaac said. The Centre has to accept that the revenue protection granted to states under law cannot be diluted and this was a pre-condition for dialogue with the Union government, he said.

“GST compensation is a right that states will never give up," Isaac said at the meeting. The Centre should arrange for payment of compensation to states rather than expecting them to borrow, he said.

Once that premise is accepted and the two controversial borrowing plans that the dissenting states have rejected are withdrawn, there could be more discussions on resolving the practical problems, he said. States should not be issued any ultimatum about accepting the proposals of the Centre, Isaac said. “Do not think states will be frightened if somebody threatens that they will not get compensation till 2022. How GST compensation has to be calculated is given in the law and there is no distinction between covid and non-covid revenue loss. It is unconditional," he said.

Mitra said he was worried about the GST Council slipping towards majoritarianism as the agenda for the previous meeting or the attorney general’s opinion was not circulated in advance because of which an informed discussion could not take place. “This is what worries me. This is moving towards, I suspect, a muscular majoritarianism," Mitra said. The central government can monetize debt, which states cannot, he said.

Source: livemint.com– Sep 28, 2020

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Mobile app to curb 'cheating' in Surat textile industry

In a bid to identify and avoid "cheating firms", the Surat Merchantile Association (SMA) on Monday launched a mobile application for android phones for textile traders.

The mobile application, Vepar Suraksha Kavach Arjun, has data of traders, including their identity details and address, to ensure transparency in business. SMA president Narendra Saboo, a textile trader, said, "The main objective of this application is ensuring fair business practices… it will help businessmen identify cheating firm owners.

The annual loss due to cheating is over Rs 500 crore with many innocent traders being victimised… some of them even committed suicide due to the losses they faced."

"We have also rated the business record of textile traders. The names of traders involved in cheating will be displayed alongwith their photos, address and shop details," he added.

The data uploaded on Arjun application, developed by Surat based IT firm Healthy infotech, was cross-verified, said jitendra Surana, core committee member of SMA.

Textile traders also can put up advertisement on the portal, announce vacancies as well as update details on shifting business. There are over 80,000 textile traders in Surat city in 175 textile markets and the SMA claims to have 15,000 registered members.

Gaurav Bhasin, another cofounder member of SMA, said, "We will cover the powerlooms sector, embroidery industry, as well as dyeing and printing sectors.

Thousands of people from other states come to Surat to buy textiles, unaware about the trader with whom they are doing business. We will also register the cloth merchants of others states on this application later."

Source: indianexpress.com– Sep 28, 2020

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