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INTERNATIONAL NEWS

Is China still the factory of the world?

Trust and reputation are perhaps the only two things in the world that travel faster than light. From all accounts it appears as if China is losing the trust game and this global untrustworthy reputation is casting a long dark shadow over its manufacturing muscle. The perfect heady cocktail of Covid-19, geopolitical tensions, unwanted aggression on neighbours and in the South China Sea, high tariffs, use of forced ethnic minority labour, misusing WTO (World Trade Organisation) rules are all coming together to move the world's factories away from the world's factory! Hong Kong and Shenzhen with about 500 and 300 skyscrapers, respectively, the most of any cities in the word, were the leaders on this one metric—a silent but visible testimony to China's global ambitions, even dwarfing New York and Los Angeles.

China is losing factories at an astonishing pace, especially after the Chinese virus has destroyed much of what we knew as 'way of life' in 2020 and beyond. (I wonder if we can have a Spanish Flu and a Japanese Encephalitis, what's wrong with calling it the Chinese virus or Kung-Flu?!). China has ongoing conflicts with India, Australia, Japan and public perception in the US is predominantly anti-China now as per the Pew Center—and this is a significant shift away from what it was just five years ago! There is a subtle but important shift from Americans viewing Chinese as rivals to viewing them as enemies now. Despite what surveys done in China suggest, the shift away of manufacturing is quite dramatic, and, in another five years, the manufacturing map of the world will look very different from what it does today. Surveys done by UBS globally suggest that 20-30% of manufacturing will be leaving China.

Make no mistake, $4 trillion worth of manufacturing happens in China and that's more than the GDP of India as on date. That is about 30% of global manufacturing and equal to that of the US, Japan and Germany put together. In 2020-21, China is the world's biggest exporter, while the US is the world's biggest importer, making it a huge challenge for the WTO to organise trade as per its extant rules. China joined the WTO exactly 20 years ago, and the next big mega trend that is coming upon the world is the de-factorisation of China, alongside a simmering, visible new Cold War between the US and China. China accounts for 13% of world exports and 18% of world market capitalisation, and is one of the two King Kongs in terms of economic supremos of the world.

China has the world's best supply chains—period—no one else comes even close to it. Yet Samsung Electronics closed its last factory in China last year but has opened new ones in Vietnam and India. They make about 300 million phones every year, more than half of which are today made in Vietnam, and the Noida plant has the capacity to make 120 million per annum.

This Samsung India factory is its largest in the world, even bigger than those it had in China and almost as much as Vietnam's entire Samsung capacity. I am waiting for the Made in India Samsung Galaxy Fold to happen soon! Motorola's iconic Razr, its first folding phone, was made in India, not China. Let's not forget this is perhaps for the first time in recorded India's manufacturing history that such significant amounts of electronics manufacturing has moved to the country.

Dongguan, the epicentre of China's manufacturing, has many shutters down and 'space available' signs all across. Closer home, Foxconn, Wistron, Pegatron and Tata Electronics are the newest beneficiaries of Apple moving its manufacturing out of China and the government of India's thoughtful PLI (Production-Linked Incentive) scheme. Not just assembly but manufacturing, yes you heard right. The PLI scheme has been one of the biggest achievements of the Modi administration in incentivising manufacturing to come to India.

The MeitY, under the leadership of quiet performers in IAS officers like Ajay Sawhney and Saurabh Gaur, has won the applause of tight-fisted foreign hardware investors who are flocking the scheme, which is being expanded across other sectors also. Likewise, Tamil Nadu and Karnataka with dynamic IAS officers are chasing every company which as much as even peeks out of a Chinese window, to their grave and back, to bring them across to their respective states. At the very least, China won't remain the world's electronics factory, if not the world's factory, by the end of this decade.

Hear the data speak for itself. Under the first round of the PLI Scheme for Large Scale Manufacturing of Mobile Phones and Specified Electronic Components, applicant companies are expected to contribute up to Rs 10.5 lakh crore in production (of which around 60% will be contributed by exports) over five years. The scheme will lead to an additional investment of around Rs 11,000 crore in electronics manufacturing. The PLI Scheme for Large Scale Manufacturing of Mobile Phones and Specified Electronic Components is expected to generate employment for about 2 lakh persons.

In the second half of 2020 alone, despite Covid-19, 10 applicant companies have produced goods worth Rs 35,000 crore and invested Rs 1,300 crore under the scheme. Additional employment generation during this period stands at 22,500 jobs. Remaining companies are in the process of relocating their operations from other countries and are expected to commence production in 2021. This will lead to about Rs 70,000 crore of production, Rs 1,500 crore of investment, and additional 25,000 jobs in the first half of 2021 itself.

Likewise, Japan has set aside $2.2 billion last year to defray costs of Japanese manufacturers leaving China, akin to a stimulus, while Indonesia has set aside $1 billion for the same. The game to woo companies leaving China is well and truly on.

Harvard Business School's Willy Shih points out that the entire supply chain for textiles and their related ecosystem clusters has moved overseas to China and Bangladesh and bringing them all back will be complicated, though not so in the case of some other industries.

He along with Gary Pisano presciently pointed out 12 years ago that American competitiveness was declining due to relentless offshoring of manufacturing to China. This had not only hurt the US trade balance, but also its job prospects, and innovation ecosystem. The proverbial chickens have come home to roost.

AT Kearney has an interesting China Diversification Index (CDI) that tracks the shift in US manufacturing imports away from China and to other countries. It concludes that while China remains the world's primary producer of manufactured goods, it has now lost share within the CDI steadily for the last seven years. All this is well known to the Chinese leadership who are doing everything in their power to slow it down, for it cannot be reversed.

Chinese President Xi Jinping lobbed the idea of 'dual circulation' strategy to cut its dependence on global trade and markets. China will rely mainly on 'internal circulation'—the domestic cycle of production, distribution and consumption—for its development, supported by innovation and upgrades in the economy. The 'external circulation' will lose its primacy and will only play a supplemental role. China's next five-year plan has this broad theme as its centrepiece.

Further, in 2020, the National Government instructed that all government offices should remove all foreign hardware and software by 2023. That's about 25 million computers alone going to the trash can! It is also well known that there is a global chip shortage and China's new $29-billion semiconductor fund is aimed at building its own capabilities, and who knows Huawei may compete with Samsung and Intel in chips soon!

Huawei's revenues are more than that of Alibaba, Tencent and Baidu put together, and the world's best end-to-end 5G ecosystem is made by them, albeit they face significant trust issues when they sell abroad. Huawei is already preparing for a new cold war, where the world may not buy from them, and now has its own homegrown OS Harmony and new fast chips, decoupled away from the US tech ecosystem. Walmart has announced $350 billion over this coming decade for 'Made in America' merchandise for its stores—made, grown or assembled in America.

It is khela hobe (game on) here too, like in Indian politics, but the question is can India compete head-to-head to do a khela shesh (game over) on China, on the global manufacturing map in this decade? Can India take advantage of the 'perfect storm' in terms of confluence of circumstance on the global stage, as also the proactiveness of policy at home to make 'Made in India' happen?

Source: financialexpress.com– Apr 27, 2021

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The future of global trade - in 7 charts

- Merchandise trade volumes are expected to grow by 8% in 2021, according to World Trade Organization statistics.
- Production and distribution of vaccines will be key to how the world's economy performs.
- Remote working helped to boost sectors like electronic goods.While restrictions and border closures hit travel and transport services.

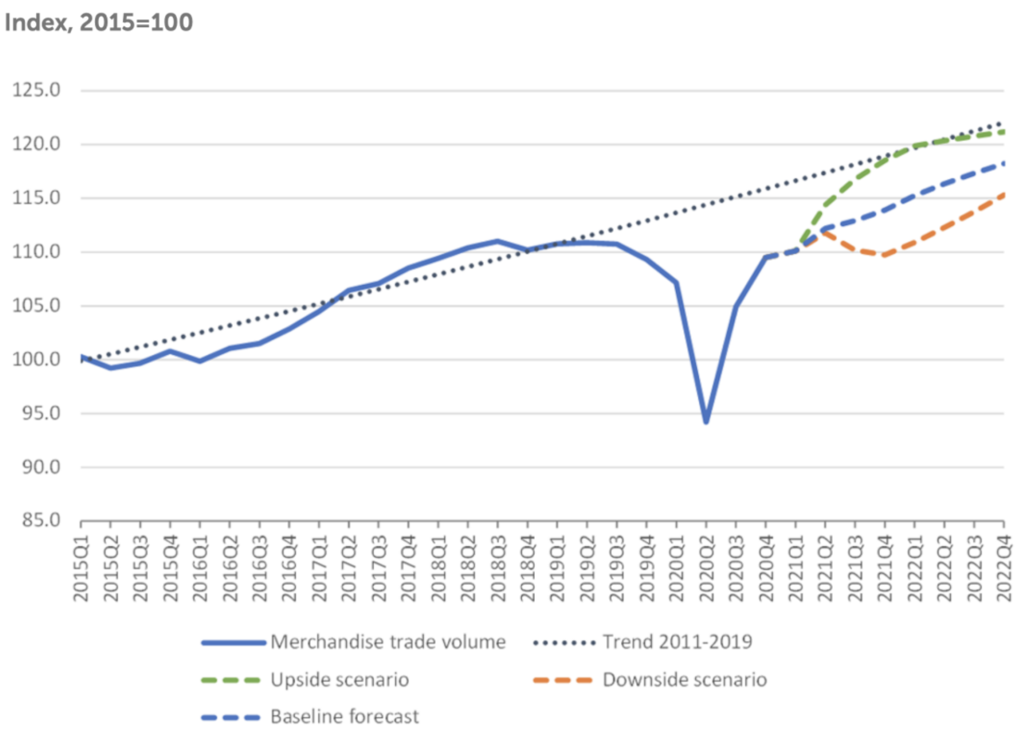
Global trade is ready for a strong but uneven recovery after the shock of the pandemic, according to the World Trade Organization (WTO).

In its trade statistics and trade forecast 2021, the WTO estimates world trade in merchandise, or goods, will grow 8% in volume in 2021, after falling 5.3% in 2020.

"Ramping up production of vaccines will allow businesses and schools to reopen more quickly and help economies get back on their feet," said WTO Director-General Ngozi Okonjo-Iweala.

The following seven charts explore the data in more detail.

Chart 1: World merchandise trade volume, 2015Q1-2022Q4

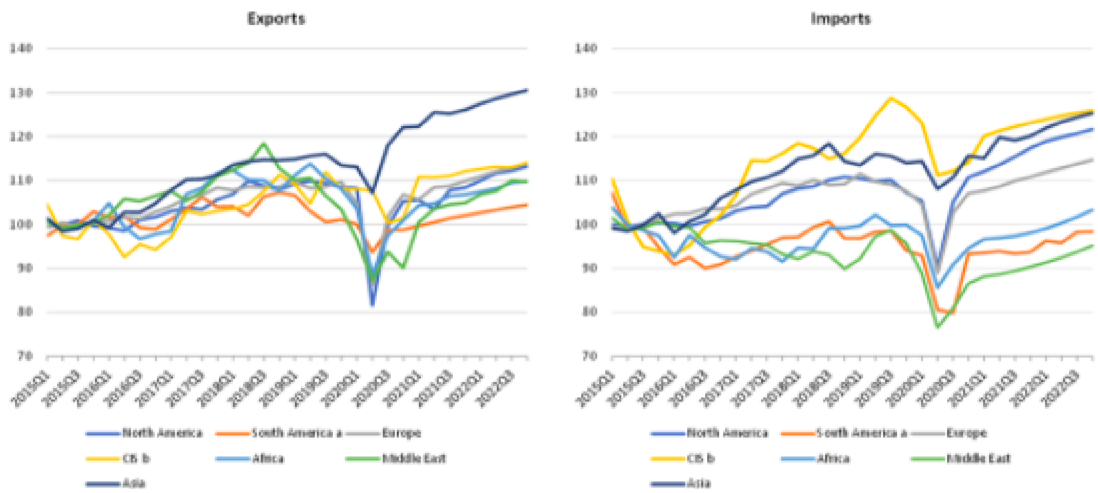


If vaccine production and distribution accelerates, global output – GDP – would add about 1 percentage point in 2021. The volume of world trade in merchandise would also grow by about 2.5 percentage points, and trade would return to pre-pandemic levels by the last three months of the year. This is the upside scenario.

The downside scenario is that vaccine production does not keep up with demand. New variants of the virus which are more resistant to vaccines could also emerge. This could shave 1 percentage point off of global GDP growth in 2021 and lower trade growth by nearly 2 percentage points.

Chart 2: Merchandise exports and imports by region, 2015Q1-2022Q4

Volume index, 2015=100



a Refers to South and Central America and the Caribbean.

b Refers to Commonwealth of Independent States, including certain associate and former member States.

In the second quarter of 2020, North America and Europe saw sharp year-on-year falls in export volumes, down 25.8% and 20.4% respectively. These recovered to year-on-year declines of 3% and 2.4% by the fourth quarter of 2020.

In Asia, exports fell 7.2% in the second quarter of 2020, but by the fourth quarter, were up 7.7% compared to the previous year.

Click here for more details

Source: weforum.org– Apr 27, 2021

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Cotton prices stabilize in Brazil

After a significant decline in previous month, cotton prices in Brazil stabilized in April 2021. As per China Textiles reports, the CEPEA/ESALQ Index changed from the record 5.22 BRL per pound on March 4 to 4.76 BRL/pound on April 5. Since then, the Index has been recovering, said the Center for Advanced Studies on Applied Economics (CEPEA) in its latest fortnightly report.

Between March 31 and April 15, the CEPEA/ESALQ Index rose by 1.05 per cent as international prices rose and production in Brazil declined. However, these prices stabilized in the first fortnight of the month. Some Brazilian players expect cotton demand to increase in coming periods, given that the industry has not been purchasing the product for immediate delivery since early March, the report says.

However, Brazil's National Food Supply Company (Conab) indicates, Brazil total area under cotton cultivation may decline by 15.2 per cent to 1.41 million in 2020-21 compared to 2019-20. Productivity is expected to decline by 2.1 per cent to 1,764 kilos per hectare compared to the previous season.

Hence, production is also likely to decline by 16.9 per cent to 2.49 million tonne. Brazil cotton inventories for 2020-21 are forecast to decline by 13.7 per cent to 2.7 million tonne, estimates USDA.

Source: fashionatingworld.com– Apr 27, 2021

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ITMF postpones annual conference in Davos

ITMF alongwith co-hosts Swiss Textiles and Swiss Textile Machinery have decided to postpone the ITF Annual Conference in Davos, Switzerland to April 10-12, 2022.

The exhibition was earlier scheduled to be held from September 26-28, 2021.

ITMF is an international forum for the world's textile and related industries founded in 1904. ITMF members are associations and companies covering the entire textile value chain – producers of fibres, textile machinery, chemicals, textiles, apparel, and home textiles.

The membership is rom more than 40 countries representing around 90 per cent of global production.

Source: fashionatingworld.com– Apr 27, 2021

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US e-retail giant Amazon to set up new headquarters in Cape Town

US-based e-retailer Amazon will set up its new African headquarters in Cape Town, South Africa. The government has approved planned mixed-use development on a 15-hectare property to boost the economy in the city and the Amazon headquarters will be the anchor tenant in the project. The development will take place in phases and will be completed in 3-5 years.

The Precinct 2 of the project will house the Amazon headquarters, which will be spread over an area of 70,000 sq m, as per the City of Cape Town website.

The development project is expected to create 5,239 jobs during the construction phase, along with about 19,000 indirect and induced jobs.

Source: fibre2fashion.com– Apr 27, 2021

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Solid Week for Cotton Prices, Exports

The cotton market was a bit spectacular this past week as the upward price trend took it higher. Of course, Chinese prices moved higher as well.

December futures traded to 85.36 and settled the week at 84.93 cents. The new crop December contract has now covered some 50% of the advance projected by the breakout of triangle pattern two weeks ago. Certainly, the technical projection is a fundamentally based response to the drought-stressed U.S. Southwest crop, as well as very good, continued demand.

Planting is making normal progress with some 15-20% of the crop planted.

The on-call mill sales versus on-call purchases ratio was more favorable than in last week's report. Additionally, the same can be said of on-call sales based on the December contract. The trend continues to point to higher prices. With the inception of the sliding scale quota purchases by China, futures prices should be expected to drift higher. Our 88-cent objective for the December contract should be challenged before the end of May.

The lack of any significant moisture in the weather forecast for the U.S. Southwest continues to support market prices, as old crop will again challenge 90 cents. Price rationing of the limited available old crop supplies has begun again, and the 90-cent plus challenge is very reasonable. However, mills are beginning to back off as price rationing implies.

Cotton export sales for the week ending April 15 were a net 103,100 bales of upland, 6,700 bales of Pima and 42,800 bales of upland for the upcoming 2021-22 marketing season. Cancellations were minor, totaling only 8,500 bales of upland and Pima combined. China was the principal buyer with 39,000 bales, followed by Vietnam (25,600) and Turkey (22,400). Exports were very strong and included 313,200 bales of upland and 16,400 bales of Pima. Vietnam was the leading destination for upland with 92,500 bales, followed by Pakistan (61,400), China (38,800), Turkey (37,100) and Bangladesh (28,500).

All of these markets remain active in making offers for U.S. cotton. Those mills that had expected lower prices have begun hand to mouth buying to cover their needs. This is a testament to continued strong demand. The sales and shipment pace are on track to slightly exceed the USDA export estimate of 15.75 million bales.

Cotton Incorporated represented the U.S. cotton industry at Earth Day 2021 in several discussion groups with respect to cotton production and the environment. Cotton growers have reduced water usage some 82% over the past three decades while land use has gone down 31%. Green House gas emissions have fallen an estimated 30% percent while soil loss was estimated to be down 44%. The results were from a Cotton Incorporated Field to Market report.

The old crop July contract has now traded above its 40-day moving average. While that is very positive, it still needs to settle above the current 50-day average of 86.47 to confirm the old crop bullish tone. However, as we have harped for several months, December is a bit more bullish. It has now had three consecutive closes above both its 40-day and 50-day moving averages. This keeps us bullish in the trek to 88 cents and possibly higher.

Source: cottongrower.com – Apr 26, 2021

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Sustainability an important factor for 75% Polish consumers: Report

Three out of four Polish consumers regarded sustainability as an important factor influencing their purchasing decisions, as per a recent survey. About 59 per cent claimed to support companies that act sustainably and 40 per cent claimed to buy sustainable apparel. Close to 38 per cent said they intend to buy more second hand clothes after the pandemic.

Over 66 per cent Polish customers claimed to be willing to pay more for eco-friendly and ethically produced apparel items, according to the latest report by Vogue Polska and the Warsaw office of Boston Consulting Group (BCG) titled 'Consumers' Adaptation to Sustainability in Fashion'.

Consumers are the key driver pushing the industry to assume greater responsibility for its environmental impact, added the report.

"If we continue on the current climate trajectory, we may soon face catastrophic and irreversible changes. By 2050, more than 570 cities could be at risk from a 0.5-meter rise in global sea level, and adverse environmental conditions could displace 250 million people," said Oktawian Zajac, managing director and partner in the Warsaw office of BCG.

Not only individual companies, but entire sectors of the fashion industry are growing more aware of the seriousness of the situation. "The fashion industry is a major contributor to the world's looming climate catastrophe, accounting for 5 per cent of global carbon emissions and nearly 20 per cent of wastewater," said Kasia Jordan-Kulczyk, chairwoman of Vogue Polska. "However, these numbers have started to change in recent years, mainly due to pressure from international organisations, the media, and the public."

Nevertheless, one in four respondents remain indifferent to or sceptical about buying sustainable clothing in preference to non-sustainable garments. Of those who do not shop sustainably, 69 per cent do not view eco-credentials as important factors in their purchasing decisions, and 42 per cent have doubts about the ethical and environmental impact of brands. Others consider sustainable apparel to be either too limited in range relative to regular product lines (21 per cent) or too expensive (20 per cent).

Additionally, as many as two-thirds of those surveyed expressed a willingness to pay more for sustainable products, the report found that a 20 per cent increase in price reduced initial demand for sustainable apparel by up to 62 per cent.

The most alarming results from the survey are that up to 26 per cent of consumers would not consider buying sustainable apparel even if it were priced the same as regular apparel; and a high percentage of consumers (20-30 per cent) do not understand what sustainability means.

The report recommended that firms operating within the fashion industry should make consumer education a central component of their business strategy. Additional actions that companies should take to encourage more conscious shopping include expanding sustainable product offerings, addressing misperceptions about the quality of sustainable apparel through better communication, and rolling out such new business models as rent, reuse, and resell. The starting point for each brand should be to transform its supply chains.

Source: fibre2fashion.com– Apr 27, 2021

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Pakistan: Exporters paid Rs 8bn

Pakistan Customs released Rs8.928 billion in rebates during the first 10 months of the current fiscal year to resolve liquidity issues of exporters.

An official announcement issued on Tuesday said that the stuck up drawback amount was pending with the tax department owing to procedures hiccups.

Since last year, customs has also introduced automated rebate payments to avoid any delay in payments. A total of Rs12.367bn under a fully automated rebate system has been sanctioned to exporters.

This will go a long way in addressing the liquidity issue of the local industry and will result in boosting exports.

Source: dawn.com– Apr 28, 2021

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China, Pak discuss ways to enhance B2B matchmaking in textile industry

Chinese and Pakistani officials and businessmen on Tuesday discussed ways to advance business-to-business (B2B) matchmaking in textile industry under the China-Pakistan Economic Corridor (CPEC).

Khashih ur Rehman, executive director general of Pakistan's Board of Investment (BOI), said during a webinar that the event will help in advancing B2B ties under CPEC industrial cooperation.

The CPEC industrial cooperation textile B2B webinar was co-organized by BOI, China Council for International Investment Promotion (CCIIP) and China National Textile and Apparel Council (CNTAC).

It was attended by senior officials and textile entrepreneurs from Pakistan and China.

"To facilitate B2B matchmaking, the BOI is working on the development of an online B2B portal which will assist potential domestic and foreign investors and serve as a one-stop database of available public and private sector investment projects," Rehman said.

While appreciating the overwhelming support from the CNTAC and China's Ministry of Commerce, Secretary of BOI Fareena Mazhar called for enhanced B2B matchmaking between the Pakistani and Chinese textile enterprises.

"Owing to the sector's financial gains, many international companies including Chinese enterprises are already operational in the country," she said.

Project Director of the Project Management Unit of the BOI Asim Ayub said that B2B joint ventures are intrinsic to the success of CPEC and the special economic zones, and the BOI will extend full support to Chinese investors for successful materialization of their projects in Pakistan.

On the occasion, CNTAC deputy director Xu Yingxin called for enhancing industrial cooperation between China and Pakistan under CPEC, especially in the textile sector.

In addition to analyzing the textile sector of both countries and discussing the investment opportunities, notable textile companies from both sides also presented their projects requiring cooperation and held discussions for potential matchmaking.

Source: pakobserver.net– Apr 27, 2021

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NATIONAL NEWS

Cotton yarn prices drop as Covid second wave hits demand

Cotton yarn prices have dropped from the peak seen at the beginning of this year and could decline further from May 1 when a revision in rates is due to slack demand.

“Prices of almost all counts of yarn have dropped by at least ₹10 a kg as demand is low due to the second wave of coronavirus. Production in textile mills has dropped and it is impacting yarn offtake,” said Rajkot-based trader Anand Poppat, a trader in raw cotton, yarn and spinning waste.

“Last six months were a good period for Indian spinning mills because there was a huge shortage of cotton yarn due to last year’s lockdown (to tackle Covid) and huge demand for yarn came from domestic and international markets. So, spinning mills performed well.

“But again the problem has slowly started due to the increase of Covid cases and many States have announced lockdowns. This has forced many spinning mills’ workers, who have come from other States, to go back to their villages due to fears of strict lockdown like last year,” said Atul Ganatra, President, Cotton Association of India, a representative body of cotton trade.

Surplus stocks

“Warp yarn prices have dropped by ₹30 a kg as there is surplus. Even weft yarn demand is down due to closure of mills in Maharashtra. From May 1 onwards, prices could drop further,” said K Selvaraju, Secretary-General, Southern India Mills Association (SIMA), the apex body of the textile industry in southern India.

The current trend is in sharp contrast to the price surge witnessed during January-March this year following domestic and export demand.

“There is a total slowdown in demand for yarn. Merchandise exporters are dispatching stocks on hand rather than buying from mills,” Poppat said.

Last year, cotton consumption dropped by 80 lakh bales (of 170 kg) to 250 lakh bales due to the lockdown to tackle Covid from the usual 330 lakh bales, said Ganatra.

Selvaraju said a hue and cry was raised over the spike in yarn prices despite the fact that cotton prices had increased sharply from ₹34,000-48,000 a candy (of 356 kg) in the last 6-9 months.

“Exchange rates have increased, diesel prices have gone up and we were forced to give credit during May-July last year. Whatever the hike in yarn prices, they have gone only to pay the interest for the loans availed of by spinning mills,” Selvaraju said.

Last month, spinning mills had made forward sales of at least two months of their production. “These deliveries are pending,” said Poppat. Ganatra said the closure of ginning factories across the country has forced cotton growers to wait to sell their produce.

Though over 90 per cent of the cotton produced this year has been sold, there are still farmers who are holding their produce. They had held the stocks back expecting prices to rise during the off-peak arrival season during April-August.

Ginning factories in Gujarat have ended their operations and they are happy getting higher prices for cottonseed derived by processing raw cotton into lint, Poppat said. SIMA’s Selvaraju said that spinning mills were put under tremendous pressure to bring down yarn prices despite their overheads rising due to a slew of factors.

“The Cotton Corporation of India (CCI) bought cotton at MSP. Still, it cut prices of the current season’s crop by only ₹100 a candy. It cut rates of cotton produced last year by ₹1,100 a candy. And cotton from Gujarat, whose quality was affected, was offered ₹800 lower,” he said.

Lockdowns affect business

Spinning mills have urged the Centre to allow their units to run without any curbs now. Lockdowns in some States have resulted in just one shift being run and production dropping to 25-30 per cent of the capacity, an industry source said.

The second wave of Coronavirus has affected yarn movement over the past 15 days. “A yarn inventory of 15 days has built up,” the SIMA Secretary-General said, adding that the situation could improve once the vaccination of those aged between 18 and 45 years began.

“Workers are more safe in factories. Mills are making arrangements to vaccinate workers within their premises. Once the process begins, all mills will start,” Selvaraju said.

Higher cotton prices

The slowdown in yarn demand comes at a time when cotton prices have gained nearly 13 per cent since the beginning of the year. Prices were up over five per cent last week and nearly nine per cent in the past month. On Monday, cotton prices rose on dry weather in key growing regions and higher-than-expected demand. Cotton futures on International Continental Exchange for delivery in July increased to 89.84 cents a pound (₹53,000 a candy).

On MCX, cotton futures for June delivery quoted at ₹22,200 a bale or ₹46,490 a candy. Export benchmark Shankar-6 cotton was quoted at ₹45,800-46,200 a candy on Monday, according to Gujarat Cotton Trading Association. In Gujarat, India’s largest cotton producer, prices at terminal agricultural markets have dropped to below minimum support price level of ₹5,515 a quintal. In districts such as Vadodara, Amreli, Bharuch and Ahmedabad, prices are ruling between ₹5,200 and ₹5,600 a quintal.

Yarn prices headed north after supplies were unable to match demand from December onwards. The mismatch cropped up as garment and fabric manufacturers resumed production operations quicker than the spinning sector. This results in the yarn inventory with the spinning mills drying up, while the rise in cotton prices compounded the issue.

As regards raw material cotton, there is no concern on its availability. CAI has estimated production unchanged from last year at 360 lakh bales, while the Committee on Cotton Production and Consumption, a body comprising all stakeholders of the textile industry, has pegged it at 371 lakh bales against 365 lakh bales.

Source: thehindubusinessline.com– Apr 27, 2021

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Australia-India-Japan Trade Ministers' Joint Statement on Launch of Supply Chain Resilience initiative

The Trade Ministers of India,Japan and Australia formally launched the Supply Chain Resilience initiative in a Trilateral Ministerial Meeting held virtually on 27.04.2021. The following is the text of the Joint statement adopted in the Meeting:

1. Mr. Dan Tehan, Australia's Minister for Trade, Tourism and Investment, Mr. Piyush Goyal, India's Minister for Commerce and Industry, and Mr. Kajiyama Hiroshi, Japan's Minister for Economy, Trade and Industry held a Ministerial videoconference on 27 April 2021.

2. The Ministers acknowledged that the COVID-19 pandemic was having an unprecedented impact in terms of lives lost, livelihoods and economies affected, and that the pandemic had revealed supply chain vulnerabilities globally and in the region. The Ministers also noted that some supply chains have been left vulnerable due to a range of factors.

3. Based on the high level consultations among Australia, India and Japan since September last year, the Ministers noted the importance of risk management and continuity plans in order to avoid supply chain disruptions and affirmed their commitment to strengthen resilient supply chains. Possible policy measures may include: (i) supporting the enhanced utilization of digital technology; and (ii) supporting trade and investment diversification.

4. The Ministers hereby launch the Supply Chain Resilience Initiative (SCRI). The Ministers instructed their officials to implement the following as initial projects of SCRI and further develop the Initiative: (i) sharing of best practices on supply chain resilience; and (ii) holding investment promotion events and buyer-seller matching events to provide opportunities for stakeholders to explore the possibility of diversification of their supply chains.

5. The Ministers decided to convene at least once a year to provide guidance to the implementation of the SCRI as well as to consult on how to develop the Initiative. The Ministers noted the important role of business and academia for the Initiative. The Ministers directed their officials to meet as often as required to take the Initiative

forward. The SCRI aims to create a virtuous cycle of enhancing supply chain resilience with a view to eventually attaining strong, sustainable, balanced and inclusive growth in the region. The Ministers consented that expansion of the SCRI may be considered based on consensus, if needed, in due course.

To quickly take forward the initiative, the Ministers explored convening the Trilateral Ministerial Meeting, once in four months.

Source: pib.gov.in– Apr 27, 2021

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The remarkable evolution of the cotton textile industry

The latest in global cotton trends

Cotton production globally is projected to register a Compound Annual Growth Rate (CAGR) of 4.1% during the period from 2021 to 2026. The impact of the Covid-19 pandemic has reduced the demand for cotton to 11%. Moreover, the ongoing worldwide restrictions have also served as the death knell for many ginning mills that supplied to western clothing brands, as orders were put on hold indefinitely, or cancelled altogether.

These unfortunate events have also affected cotton plantation markets in India and Bangladesh. According to an analysis done by Mordor Intelligence, based on their market summary of the decade from 2016 to 2026, and predictions based on the year 2020, with economic and logistic constraints all over, the global cotton trade is experiencing a massive downturn, hitting every link in the global supply chain.

On the other hand, the focus of many fashion summits in 2021 was finding solutions to bridge the gap between fashion and sustainability. Discussions happened around finding a suitable substitute for cotton, such as hemp, which requires much less water and chemicals while farming and helps to encourage sustainable environmental solutions. One of the reasons why this was a hot topic on the table was the fact that cannabis is officially legalized in many countries for its medicinal properties. Furthermore, it has been observed that hemp farming is helping global environmental initiatives. Thirdly, as organic hemp-based fabrics are proving to be more affordable, the future prospects of cotton – the king of Indian fabrics – are being questioned.

What is cotton?

With the scorching summer heating everything around us, we all prefer skin-soothing textiles for our daily use in this season. For centuries now, cotton has been unwaveringly holding its own when it comes to clothing the people living in hot climates.

By definition, cotton is a soft, staple fiber that grows in a protective capsule known as boll, around the seeds of the cotton plant. The fiber is spun into yarn and used to make soft, breathable fabric, which is the most widely used form of textile for clothing in the world. Statistically speaking, cotton provides about 50% of the world’s textile fibre. It is grown in 35 countries across the world, and its total production is calculated around 900 million metric tons. The current biggest cotton producers are India, China, the USA, Pakistan, and Brazil.

Indian cotton assortment

India is known for farming one of the genetically purest species of cotton. Our country particularly farms three types of cotton, classified on the basis of length, strength, and structure of the fiber: Long staple cotton, medium staple cotton, and short staple cotton. Different types are obtained from 9 actively trading states in cotton in India such as Maharashtra, Gujarat, Andhra Pradesh, Punjab, Haryana, Rajasthan, Tamil Nadu, Karnataka, and Madhya Pradesh. Another type of good-quality indigenous cotton, culturally popular for centuries, known as Kala cotton is being developed further to become more refined and versatile with the demands of today.

In India, cotton is grown in three distinct agro-ecological zones: central, south, and north. But, weather changes, increase in global warming, and the resulting irregularities with rains and irrigation supplies make it very hard to predict the overall impacts of climate change on cotton production. Large-scale commercial cultivation of high-yielding hybrid varieties in long and extra-long staple cotton has already been commenced, showing that the cotton textile industry in India is resilient. In spite of the setback of last year, cotton yields have displayed fair growth, and India especially is not letting up any signs of major changes in cotton cultivation patterns.

The 'khadi spirit' means fellow-feeling with every human being on earth. It means a complete renunciation of everything that is likely to harm our fellow creatures, and if we but cultivate that spirit amongst the millions of our countrymen, what a land this India of ours would be! And the more I move about the country and the more I see the things for myself, the richer, the stronger is my faith growing in the capacity of the spinning wheel. – M. K. Gandhi

Source: timesofindia.com– Apr 26, 2021

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80% MSMEs, startups urge FM Sitharaman to extend GST payment, return filing deadlines without penalty

MSMEs and startups, reeling under the Covid impact, have urged the government to extend the GST payment and return filing deadlines for the month of March, April, and May to June 30, 2021. According to a recent survey of MSMEs and startups by community social media platform LocalCircles, as much as 80 per cent respondents suggested extension of deadlines describing challenges faced in filing GST payments and returns for the month of March. Finance Minister Nirmala Sitharaman had provided a similar extension on ITR filing and GST return deadline last year.

"MSMEs and startups have been requesting extension of the GST payment and filing deadlines as in many states there have been curfew and lockdown restrictions that have been imposed since early or mid-April preventing them from meeting these deadlines.

The respondents want the government to extend the deadline without penalty," Sachin Taparia, Founder and Chairman, LocalCircles told Financial Express Online. The survey, conducted between April 21-22, saw the participation of 2,370 startups, MSMEs, traders, and service providers located in 122 districts of India. LocalCircles had also escalated the request for action to Sitharaman through a letter sent last week.

The government had already announced the extension of the deadline for payments under the Direct Tax Vivad Se Vishwas Act, 2020, and some compliances under the Income Tax Act by two months till June 30.

The relief offered to taxpayers, tax consultants, and other stakeholders last week included, "Time limit for passing of any order for assessment or reassessment under the Income-tax Act, 1961 the time limit for which is provided under section 153 or section 153B thereof; Time limit for passing an order consequent to direction of DRP under sub-section (13) of section 144C of the Act; Time limit for issuance of notice under section 148 of the Act for reopening the assessment where income has escaped assessment; and Time Limit for sending intimation of processing of Equalisation Levy under sub-section (1) of section 168 of the Finance Act 2016," according to the Finance Ministry statement.

Traders' body Confederation of All India Traders (CAIT) had also urged the government last week to defer 11 GST compliances and 15 compliances under the Income Tax Act by three months. According to the federation, which represents around 8 crore traders across 40,000 trade associations in India, returns including GSTR-3B, GSTR-1, GSTR-4, CMP-08, GSTR-5, GSTR-5A, GSTR-6, GSTR-7, and GSTR-8 have been due in April along with the due date for issue of TDS certificate for tax deducted under section 194-IA, IB, and 194M, a quarterly statement in respect of foreign remittances in form 15CC, furnishing form 3BB, form 24G, challan-cum-statement in respect of tax deducted under section 194-IA, etc., of the Income Tax Act.

Source: financialexpress.com– Apr 27, 2021

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CAIT petitions Piyush Goyal against foreign e-commerce firms

Retailers association CAIT has petitioned Commerce and Industry Minister Piyush Goyal against foreign e-commerce companies allegedly flouting lockdown norms to deliver non-essential items and unfairly gaining market share at the cost of small merchants.

In a two-page letter to Goyal, Confederation of All India Traders (CAIT) national general secretary Praveen Khandelwal alleged that Amazon and Walmart-owned Flipkart were making "illegitimate financial gains" by supplying non-essential items such as mobile phones, kitchen appliances, electronics and accessories during the lockdown.

Amazon and Flipkart did not immediately comment on the CAIT allegations. Local lockdowns imposed in several parts of the country to contain the spread of COVID infection provide for the delivery of only essential items. "The pandemic has hit the retail industry hard and since 2020, the industry has seen major upheavals. It is surprising to observe that while small and medium-sized businesses (kiranas) are languishing, foreign e-commerce companies are growing exponentially at the cost of small business," CAIT said.

While restrictions imposed by the state governments to check the spread of COVID has meant that physical stores are not allowed to operate at all times, foreign e-commerce companies are delivering mobile phones, it said.

Quoting RedSeer Consultancy, CAIT said the e-commerce industry made sales of over USD 8.3 billion in 2020 compared to USD 5 billion in the previous year. "It is important to prohibit these foreign e-commerce entities from gaining market share at the cost and life of small and medium kirana stores in India because Kirana stores have formed the backbone of the industry over the years," it said.

"We pray for immediate action prohibiting these foreign e-commerce entities from ruthlessly destroying the Indian retail sector with their deep discounting and predatory pricing mechanism and trampling the lives of over 40 crore Indians." It also urged Goyal to issue guidelines on "what is permitted and prohibited for market e-commerce entities."

Source: financialexpress.com– Apr 27, 2021

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Indian garment workers are caught between Covid-19 and lost wages

Workers in Bengaluru's garment industry are facing a dire situation.

The city is home to one of the biggest clusters of garment manufacturers in India, employing some 500,000 workers. A large share are women, including many migrants from nearby villages and other areas who depend on the low wages they earn to feed themselves and their families. They can scarcely afford any disruption to their income, as occurred last April when factories temporarily shut due to the pandemic and numerous workers lost their jobs. Now Bengaluru is entering a new lockdown to halt its surging number of Covid-19 infections, pausing its garment industry and leaving workers facing a possible crisis.

The rise in daily infections in Bengaluru is second only to Delhi in India, prompting the government to order a two-week shut down to curb the virus' spread. While it exempted some manufacturing sectors from the order, the garment industry was not among them. The government "is aware of the plight of garment workers," a local official told reporters. "But, as they gather in large numbers in limited space this sector is not allowed to continue the operations."

Despite the risk of getting sick, many workers would prefer to see factories continue running, according to IndustriALL, a global federation of trade unions, fearing the effect the lockdown will have on their jobs and wages.

Local media also report that the Garment and Textile Workers Union (GATWU) as well as the Bengaluru Chamber of Industry and Commerce and the Karnataka Employers' Association are asking the government to allow factories to run with up to 50% of their usual staff, which would allow for more distancing of workers.

For some, the concern is also about keeping India's economy going. Bengaluru is a critical hub in India's garment business, which exported $17 billion in clothing in 2019 based on World Trade Organization data, ranking it sixth among all nations. (It's second in textile exports).

Factories in other important garment centers such as Chennai are still operating but also see lockdown as a growing possibility.

Garment workers' pandemic struggles

In Bengaluru as in other garment hubs around Asia, work in clothing factories often pays low wages, leaving workers with little financial security. During the pandemic, many have suffered as factories slashed jobs and work hours to stay in business while the western companies they often rely on cut orders amid plunging demand for clothes. In countries including India, where the textile and apparel industries are together the second-largest employer after agriculture, some workers have battled hunger and taken on debt to survive.

While garment factories in Bengaluru had finally started to see orders picking up, the new lockdown is sparking fears of factories shedding jobs and losing business as clients in the US and Europe divert orders elsewhere.

It's unclear if the government will offer any assistance. So far, it has not announced any support of garment workers, IndustriALL said. GATWU, one of IndustriALL's local affiliates, has written to the labor department asking for more information and demanded workers receive wages during the lockdown, it said.

Aid hasn't always been reliable. A survey last year of garment workers in Karnataka, the southern Indian state where Bengaluru is located, found most received no support from either their employers or the local government. Many informal workers who do tasks such as embroidery or beading in their homes can also be overlooked by such programs.

While the crisis in India continues to worsen, countries around the world have pledged to help. Whether garment workers will get the help they need remains to be seen.

Source: qz.com– Apr 27, 2021

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RBI loan moratorium of little help for MSMEs as business recovery to repay remained low, say experts

The six-month (March-August 2020) moratorium on term loans announced by the Reserve Bank of India helped MSMEs briefly survive Covid amid disruption in income but the reprieve fell short in addressing their recovery concern amid the demand slump. Now battling the second Covid wave, MSMEs are hoping for stronger working capital handholding and for a longer period to stay afloat. However, banks and credit rating agencies had last year suggested the RBI that extending the moratorium period would risk more non-performing assets in the ecosystem.

"At least 30 per cent MSMEs had availed moratorium benefit. However, businesses still don't have money to repay the debt. The moratorium was the oxygen mask for survival not the betterment of MSMEs. It only postponed the suffering as MSMEs still have to pay the amount with interest burden. The mask was removed in August by RBI without being sure about the Covid situation," KE Raghunathan, Convenor and Spokesperson, Consortium of Indian Associations (CIA) told Financial Express Online. The MSME body CIA represents over 30 trade associations in India.

Bengaluru-based former president of Federation of Karnataka Chambers of Commerce and Industry and chairman of diesel genset and pumpset maker DPK Engineers S Sampathraman seeks another moratorium amid fall in demand. "We availed moratorium as cash flow was affected. The loans we took helped us treat our fixed overhead costs and not towards improving the business. Demand-side is the problem. Until demand improves, businesses cannot improve in the current situation. For repayment of the loan, I don't have enough money as there are no buyers as of now. There has to be an additional flow of loans from the government without any conditions unlike in ECLGS. Another round of moratorium is needed since there is no money to repay. It is a dire necessity," Sampathraman told Financial Express Online.

Raghunathan urged the government and RBI for an immediate rollout of MSME-focused stimulus to arrest the decline in their current situation amid the second wave. While the impact of existing lockdown restrictions would be ascertained in near future, the impact of Covid and following lockdown last year on MSMEs in terms of the number of units that shutdown was also not certain. According to MSME Minister Nitin Gadkari, while the MSME sector suffered Covid impact, "however, as MSMEs are there in both formal and informal sector, data regarding temporary or permanent closure of the units are not maintained by the Government of India in Ministry of Micro, Small and Medium Enterprises (MSME)." The minister had said in a written reply to a question in the Rajya Sabha earlier this year. However, according to a study undertaken by Khadi and Village Industries Commission (KVIC) to assess the impact of the pandemic on the micro-units set up under the Prime Minister's Employment Generation Programme (PMEGP), 88 per cent of the PMEGP beneficiaries reported that they were negatively affected.

"If the current Covid situation extends for the next 30 days, minimum 45 per cent MSMEs will be dead. Already 30 per cent MSMEs are shut due to the first wave in the country. Last year, the government performed surgery on MSMEs without any sedation. This time before the lockdown, there should be sedation of moratorium, capital support to MSMEs who have lost revenue, postponing all payment collection like GST, PF, ESI, etc., by six months so that whatever money MSMEs have can be used for this emergency situation," said Raghunathan.

Lenders too are keeping an eye on the impact of Covid 2.0 on MSMEs to ascertain the subsequent stress they are likely to witness in the segment. "Actual stress would be gauge through the payment behaviour only. The current behaviour is not truly reflective of what actually MSMEs are going through. The second wave is bringing completely unexpected disruption to MSMEs. While MSMEs were yet to fully recover post moratorium through the storm of the first wave, they are now met with a tornado," Arup Kumar, General Manager, SIDBI told Financial Express Online.

The RBI had last year allowed a debt restructuring scheme for stressed MSMEs, which were in default but 'standard' as on January 1, 2020, till March 31, 2021. According to a PTI report, the representative body for NBFCs in India Finance Industry Development Council has requested RBI to extend the one-time restructuring scheme for MSMEs till March 31, 2022, as these enterprises haven't been able to revive their businesses.

"When the moratorium was offered, there was no MSME activity happening. For MSMEs to repay, their operations were necessary which wasn't there. The government had offered ECLGS and the restructuring scheme that had taken care of whatever stress was there. However, now with the second wave, it is difficult to ascertain the level of impact on banks and other lenders," said Kumar.

In July last year, Financial Express had reported that HDFC Chairman Deepak Parekh had urged RBI to avoid moratorium extension on loan repayments beyond August 2020 as borrowers who could service their loans were deferring payments.

“Please do not extend the moratorium because we see that even people who have the ability to pay – whether it is individuals or corporates – are taking advantage under this moratorium and deferring payment…There is some talk that there will be another extension of three months. It’s going to hurt us, and hurt the smaller NBFCs particularly,” Parekh said at industry body CII’s council meeting.

Source: financialexpress.com– Apr 27, 2021

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Confusion prevails over textile market closure

Confusion prevailed in the business community in Surat especially among the textile traders as two different associations made their own announcements on Tuesday evening over keeping the markets shut.

Following an order from the home department of the state government, the Federation of Surat Textile Traders Association (FOSTTA) made an announcement that all textile markets in Surat will remain closed from Wednesday till May 5.

The announcement mentioned that the decision has been taken following the notification issued by the home department to control the spread of Covid-19.

On the other hand, Surat Mercantile Association (SMA) asked traders not to fall for rumours. A release of SMA said that its president Narendra Saboo talked with the mayor Hemali Boghawala and standing committee chairman Paresh Patel who told him that authorities have not asked anyone to keep markets closed.

Source: timesofindia.com– Apr 28, 2021

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Tiruppur sees spike in overseas demand for kidswear, innerwear

The garment exporting units in Tiruppur of Tamil Nadu are seeing increased demand for innerwear, children wear, long garments from overseas markets while the orders for fashion garments have gone down, said an industry official.

He also said the US and European markets have opened up and the Tiruppur export units are functioning well and the domestic market has also improved.

"With people worldwide spending more time at their homes due to Covid-19, the orders for innerwear and children's wear have increased. Similarly demand for long garments have increased while the orders for masks and personal protection equipment (PPE) have come down. On the other hand, orders for fashion garments have come down for our units," S.Sakthivel, Executive Secretary, Tiruppur Exporters Association (TEA) told IANS.

Last fiscal the hosiery units in Tiruppur closed with a total business of about Rs 45,000 crore of which exports will be Rs 25,150 crore down from Rs 27,250 crore registered during 2019-20, Sakthivel said.

He said the yarn and prices of other inputs have gone up, but the units are not able to pass it on to their buyers.

Even though export units are exempted from the Sunday lockdown in Tamil Nadu, the garment units in Tiruppur are not allowed to operate as it will be business as usual in the town defeating lockdown purpose-preventing spread of coronavirus, Sakthivel said.

On the issue of migrant workers going back home, Sakthivel said only a small number of such workers have gone back.

Source: daijiworld.com– Apr 27, 2021

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