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INTERNATIONAL NEWS

Global market relies on China to secure supply chain as Indian industries hit by COVID-19

Affected by the COVID-19 epidemic, many enterprises in India cannot guarantee normal delivery, including textiles, active pharmaceutical ingredients (API) and electronic devices. In order to ensure the supply of goods, European and American retailers have transferred many orders originally produced in India to China.

IHS Markit, a London-based global information provider, said in a research note on Wednesday that the prolonged COVID-19 surge has negatively affected India's economic outlook.

Electronic manufacturing, one of the pillar industries that contributed nearly 20 percent to India's GDP, is among the hard-hit list, according to statistics from National Investment Promotion & Facilitation Agency of India.

Canalys, a global IT analyst firm, predicted a sudden plunge in smartphone shipments for the second quarter in the Indian market due to the worsening pandemic situation. India is one of the largest country markets for smartphone brands, including Chinese ones such as Xiaomi, Vivo and Oppo.

"The smartphone supply chain will be affected in the manufacturing, transportation and retail sales stores, since the epidemic hit various Indian localities," Richard Ma, an internet industry practitioner who just returned from working in India last year, told the Global Times on Tuesday.

While some Chinese textiles enterprises are seeing a huge rise in international orders, making their factories working in full swing, they also worry the trend could be temporary, making it unnecessary to increase production capacity, industry insiders have said.

Some other textiles enterprises also revealed that they haven't seen overseas orders shifting from India to China but instead rising domestic orders.

Back-up supplier

A source with Zhejiang Textiles Import & Export Group told the Global Times on Wednesday that there is rising number for orders from Western markets to flow back to China from India after the production disruption since the epidemic last year. The recent new outbreak is definitely accelerating the trend.

The Indian textile industry is the second largest manufacturer and exporter in the world, with a share of 5 percent of the global trade in textiles and apparel, after China. The textile industry contributes to 2 percent of India's GDP and to 12 percent of the country's export earnings, according to the Ministry of Textiles of India.

China's textile trade with India is small. Because both China and India are large textile manufacturers, with the Western countries being their major target markets for exports, said the source.

The insider added that as long as India's epidemic is not contained, its textile supply will not be secured. International orders will still shift to China.

But analysts said the flow of textile orders from India should be temporary, as textile industry is labor-intensive. Labor costs in China have been rising over a number of years and many such factories have been transferred to Southeast Asia.

Some other Chinese enterprises see it differently. A manager surnamed Chen from Quli Textile company in Shaoxing, East China's Zhejiang, told the Global Times that orders were "slightly up" since March this year, but mostly from rising domestic demand.

China is shifting from a cost-driven to innovation-driven manufacturing destination. Also, the focus of Chinese manufacturers is expected to increase toward their fast-growing domestic market.

Its global share is likely to reduce and this is expected to create export market vacuum of around $50 billion by 2025, which is a great opportunity for countries to cash in on newly available market share, including India, Vietnam, Bangladesh, Ethiopia, Kenya and Myanmar, according to a report by the Federation of Indian Chambers of Commerce and Industry (FICCI).

New supply chains emerging

The situation of COVID-19 epidemic has reached new crisis levels in India, with 2.97 million active cases and 201,166 deaths in total according to latest data, global buyers worry that industries in India cannot provide sufficient supply and are looking for backup sources, for example, China.

"Given the very limited net profit margin for textile industry, the textile supply chain is rather short, almost within one country, which is different from the production of medical drugs that involves many participants in different countries before delivering to the final market," one industry insider said.

Normally, India is a processor on the API supply chain between China and the final destinations in Europe and the US. But buyers are seeking to skip India on the supply chain due to its serious epidemic outbreak.

There are 10-20 percent of the API from the company exported to India for proceeding before exporting to the West, a secretary of the board of a large API company based in Zhejiang Province surnamed Dong, told the Global Times on Tuesday.

"We are looking at the possibility of directly exporting to the third countries instead of through India to fend off the potential disruption over supply chain," said Dong.

A manager surnamed Yang with an API exporting company based in East China's Shandong Province, told the Global Times on Tuesday that the orders directly from the third countries are increasing in the past two weeks by around 10 percent after India's epidemic, including countries in Europe, South America and Southeast Asia.

Source: globaltimes.cn– Apr 28, 2021

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US' PPE imports increase 380.20 per cent during Jan-Feb '21: OTEXA

US' imports of PPE increased 380.20 per cent on a Y-o-Y basis during the January-February 21 to $382 billion, reports OTEXA. Import of nonwoven disposable apparels grew 290 per cent during the period to 423.31 million under HS Code 6210105000/.

The share of these apparels in total PPE import value of the US was 11 per cent.

During the period, US imported face masks, clubbing worth $ 860.44 million. They constituted 22.50 per cent of the total import value of PPE by the country.

The import of plastic/rubber gloves valued $2.38 billion and constituted 62.40 per cent of overall PPE import value.

Source: fashionatingworld.com– Apr 28, 2021

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How Will Biden's China Policy Impact US Luxury?

The Biden administration has shown that it is willing to restart talks with China. But despite its encouraging words, the "new" foreign policy seems like the same old one that blamed China for America's economic problems, botched COVID-19 response, and even its loss of soft power in the developing world. Regarding trade talks, US trade representative Katherine Tai said, "yanking off" Trump's tariffs on Chinese products could unwittingly harm the American economy. In fact, the Biden administration has decided to all but ignore the economic impact of tariffs.

A 2019 study by Moody's Analytics showed how, in just over one year, the US-China trade war thwarted an estimated 0.3 percent of the US economy's real GDP and nearly 300,000 jobs. Bloomberg also presented a study by Brookings that put the country's GDP cost in a range between 0.3 and 0.7 percent during 2019. Meanwhile, another study, commissioned by the U.S.-China Business Council (USCBC), highlights how Trump's trade war has cost up to 245,000 US jobs. And CNN reports that tariffs on "Made in China" goods have cost American importers more than $82 billion so far, according to US Customs and Border Protection.

In the past, luxury and retail have been strongly affected by these policies. Therefore, retail executives want to understand how Biden's approach will impact their operations and margins.

The pandemic has created a K-shape recovery, and several industries are still underperforming and experiencing uncertainty. Volatility and financial risks will continue even under President Biden, and US textile companies can expect lower profit margins in 2021.

Moreover, Biden is weakening the economy and hurting American companies by choosing to advance the trade war with China, leaving them more susceptible to hostile takeovers. In the past, we have seen the economic power of Chinese companies and their interest in Western luxury and retail companies. As such, we expect corporate China to take advantage of the current economic situation.

At this point, even American "patriots" who believe in the resilience and exceptionalism of domestic companies must acknowledge that China's post-pandemic economy bounced back faster than America's.

Moreover, luxury consumption is booming in China, while the retail sector was one of the hardest hit in the US. The pandemic even sunk iconic retailers like Neiman Marcus. Under these circumstances, American firms are more dependent on China than the other way around.

"How long before Baidu buys Google? Or Tencent takes a 20-percent stake in Twitter?" asks Kenneth Rapoza, Senior Contributor Forbes.

China might not play by Washington's playbook, but America's behavior is not beyond reproach either. Instead of embracing "extreme competition" with China and investing in research & development (R&D), education, and cutting-edge technologies, the US outsourced R&D, promoted "nationalism" and absurd cultural wars, and lost its edge in innovation. Washington also tried to shift blame towards China, engaging in a tit-for-tat game instead of accepting responsibility for its failures.

Nonetheless, the US made a big miscalculation when it predicted that China would react like the crumbling Soviet Union. Instead of being bullied and retreating from the conflict, China retaliated with tariffs of its own, boycotts, a blacklist of American firms, bans, and new regulations.

And American companies have been hurt the most. They lost business opportunities, their profits shrank, and their hard-working American employees lost jobs.

Considering the circumstances, it is evident that Washington's bipartisan bill to counter China's influence in the world will backfire again. And corporate America will pay the highest price.

It is remarkably naïve to believe that global companies will jump at the opportunity to move out of China just because the government is allocating "$15 million to help US companies exit the Chinese market, diversify their supply chains, and identify alternate markets."

Despite Washington's efforts, foreign direct investment in China continues to grow. A total of "10,263 new foreign-invested companies were established in China during the first three months of the year," according to the South China Morning Post. Moreover, FDI (excluding financial sectors like banking, securities, and insurance) increased 43.8 percent during the January-March period, year-on-year. This rise was the largest rate of quarterly growth since the second quarter of 2008, according to Ministry of Commerce data.

Foreign companies want to enter the lucrative Chinese market, not the other way around. Even companies like Nike Inc. and Lululemon Athletica Inc., which moved some of its manufacturing to Vietnam, are reconsidering their approach and partnering with local manufacturers. But this is hardly surprising if we consider that China's textile industry is the largest in the world. Not to mention, the country dominates the cotton market.

This position gives Beijing immense power since it can mess up the supply chain and create significant disruptions for global retail companies. Obviously, the luxury industry is not immune to these threats.

Despite its association with "Made in Italy" and "Made in France," luxury greatly depends on China. Exquisite fabrics such as silk, yarn of fine animal hair, and wool, which are essential to luxury apparel, are produced in China. If Beijing enacts export restrictions or tightens export controls, the luxury industry will suffer.

At this point, the US should stop decrying the rise of a strong competitor and work towards becoming an innovative leader again. The US is no longer the de-facto leader of the world, but that doesn't mean that the US-China economic race can't produce a stable and innovative bipolar era.

Source: jingdaily.com– Apr 28, 2021

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Singapore and region stand to benefit from RCEP free trade agreement: MAS

The world's largest trade pact will reduce tariffs and harmonise trade rules, and Singapore and the region stand to gain from it by being more deeply plugged into global supply chains.

This is the conclusion drawn by the Monetary Authority of Singapore's biannual macroeconomic review released on Wednesday (April 28), which said that the Regional Comprehensive Economic Partnership (RCEP) is expected to increase regional trade flows and deepen cross-border production linkages among its 15 member economies.

The review noted that analysis based on past trade pacts such as Singapore's free trade agreements with China and South Korea shows that Singapore became more integrated into the supply chains centred on these countries.

In the same vein, the RCEP will boost the region's competitiveness as a location for supply chains, it said.

"It should therefore help to draw in investments, offering companies a broad array of production locations with differing comparative advantages, and the opportunity to export at preferential tariff rates to a wide economic area comprising both high-income consumers and a large and growing middle-income segment."

The RCEP brings together the 10 Asean countries, as well as Australia, China, Japan, New Zealand and South Korea to form the world's largest trade bloc, covering around 30 per cent of the world's population and gross domestic product (GDP).

Overall benefits from the RCEP fall into two categories.

The first is tariff reductions. These average a small decline of 0.7 per cent by the 10th year, and 1 per cent by the 20th year after the agreement comes into force.

The direct impact from this is limited, given that the RCEP consolidates Asean's existing trade agreements with other signatories.

Tariff cuts differ significantly across products and economies, with a more gradual pace of reduction in Cambodia, Lao PDR (People's Democratic Republic), and Vietnam, to allow more time for these lower-income economies to adapt to increased competition.

Output in sectors such as textiles and garments, leather, wood and paper will grow faster during the first 10 years of the agreement; while sectors such as agriculture, energy and mining, chemicals and electronics will expand at a faster pace in the longer term.

Individual countries in the trade bloc are expected to see a small boost in their GDP of between 0.4 per cent and 0.6 per cent.

The second category of gains comes from harmonisation of rules of origin, which govern how locally produced content is assessed in order for products to be eligible for preferential import tariff rates.

"With common rules of origin (CRO) under RCEP, companies can more optimally source raw materials and intermediate inputs from member countries, while benefiting from lower tariff rates," said the review.

It observed that although the region already has a large number of trade agreements, the RCEP brings together key upstream high-tech manufacturers such as Japan and South Korea, mid-stream producers including Thailand and the Philippines, and countries with relatively low labour costs such as Cambodia, Lao PDR and Myanmar, providing more opportunities for firms to enhance supply and trade linkages.

"The availability of CRO among the 15 countries is expected to facilitate cross-border integration of supply chains and to draw foreign direct investment flows into the region."

It added that Asean can offer a favourable proposition to firms seeking to diversify their production centres.

"Some signatories have additionally committed to raise foreign shareholding limits in certain domestic services sectors such as telecommunications and financial services," said MAS.

Source: straitstimes.com– Apr 28, 2021

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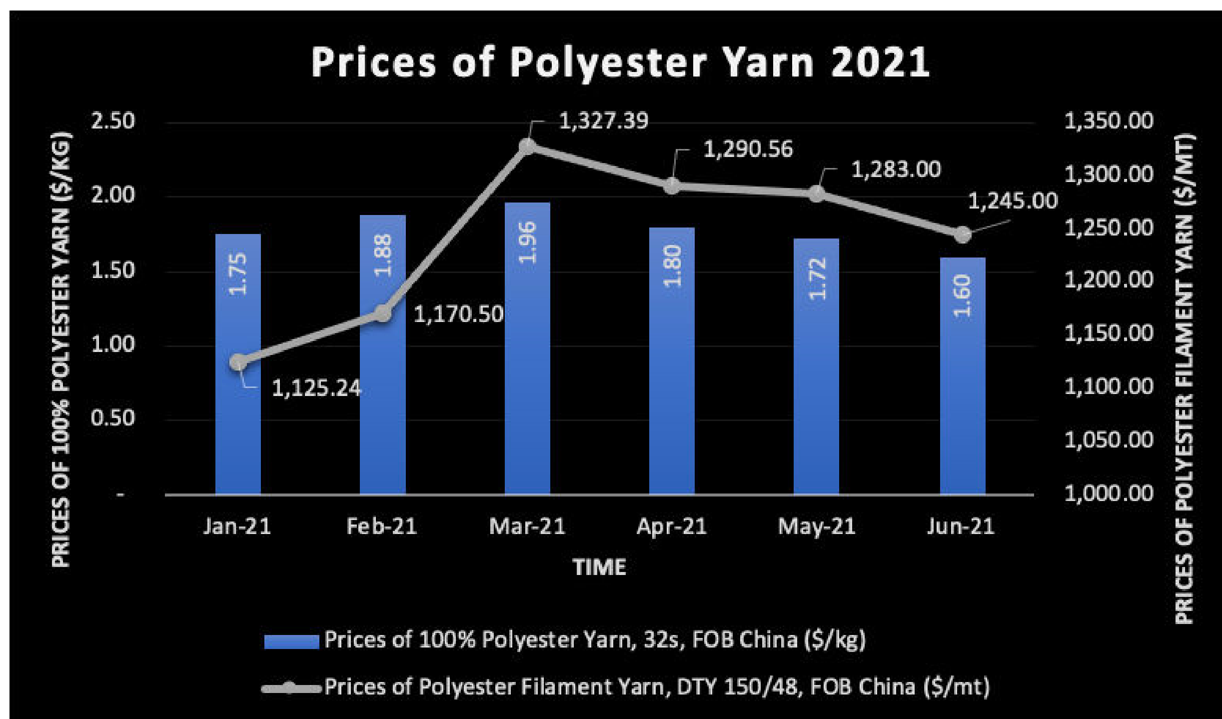
Polyester yarn prices expected to drop in upcoming period: TexPro

Owing to weak crude oil prices, higher freight rates and lower demand due to second and third waves of COVID-19 pandemic in different parts of the world, the prices of polyester yarn are expected to decline in the upcoming period. Polyester yarn prices increased in February 2021, and moved up further in March as crude oil prices continued to rise.



The average FOB China prices of 100 per cent polyester yarn of 32s was $1.75 per kg in January 2021. This price increased by a sharp 12 per cent and rose to $1.96 per kg in March 2021 compared to the January price. But the price is anticipated to move down to $1.60 per kg in June 2021 with a drop of 18.37 per cent from the average price in March 2021, according to Fibre2Fashion's market intelligence tool TexPro.

The average price of polyester filament yarn, DTY 150/48, FOB China was $1,125.24 per metric ton in January 2021. It showed a considerable growth and increased to $1,327.39 per metric ton in March 2021 over the price in January 2021. The price is expected to dip slightly to $1,245.00 per metric ton by June 2021 with a decline of 6.21 per cent.

The price increase in February 2021 has been attributed to the price rise of crude oil due to frosty weather in US and in expectation of inflation. The supply of raw materials for polyester yarn, such as paraxylene and purified terephthalic acid (PTA), was tight. This supported the polyester cost side. Also, the stocks of PFY were low in February 2021 and speculative demand was sound.

In March 2021, prices of polyester increased further with higher price rise in crude due to increased tensions in the Middle East, lower crude inventory reported by the US EIA (Energy Information Administration) and API (American Petroleum Institute) and the weakened US dollar.

Source: fibre2fashion.com– Apr 28, 2021

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Cambodia's economy to recover in 2021; accelerate in 2022: ADB

Cambodia's economy is forecast to grow 4 per cent this year and 5.5 per cent in 2022, as the economic recovery in major trading partners boosts demand for Cambodia's exports, according to an Asian Development Bank (ADB) report released today. Last year, Cambodian economy contracted 3.1 per cent due to the impact of the global COVID-19 pandemic.

"The (Cambodian) government has responded quickly to the recent spike in cases, and we expect the economy to return to growth in 2021. This will help increase household incomes, but not all sectors and regions will benefit equally, so it will be essential to closely monitor household welfare and the need for additional support," said ADB country director for Cambodia Sunniya Durrani-Jamal.

According to the Asian Development Outlook (ADO) 2021, industrial production is expected to rise 7.1 per cent in 2021 and 7.0 per cent in 2022 on the back of a rebound in the garments, footwear, and travel goods sector, as well as growth in other light manufacturing such as electronics and bicycles.

Travel restrictions are expected to remain in place for most of 2021, which means tourism is not expected to boost services this year, the report said.

"The uneven pace of the recovery across sectors will continue to put pressure on some households and firms this year, which will slow down the overall recovery. Key risks to the outlook include widening community outbreaks of COVID-19, slower than expected growth for Cambodia's major trading partners such as the US and EU, continued weakness in domestic demand, and stress on financial services and banking," said Durrani-Jamal, adding that the government needs to maintain its accommodative fiscal policy stance this year and next to support growth.

Currently, ADB is implementing $2.1 billion of investment projects in Cambodia. In 2020, ADB committed $477 million in sovereign loans and grants, and catalysed an additional $281.3 million through cofinancing for Cambodia. ADB's lending pipeline for 2021-2023 includes $1.35 billion of concessional lending and $32.4 million in grants to support the country's economic development and recovery from the COVID-19 pandemic.

ADB said it is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty.

Source: fibre2fashion.com – Apr 28, 2021

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Direct-to-consumer e-com sales grew 40% in 2020: Report

Digitally native brands saw an increased growth as their direct-to-consumer (D2C) e-commerce sales rose by 40 per cent in 2020, an upward revision from the earlier estimate of 24.3 per cent. The brands outperformed the market average of 33.6 per cent growth while brands that are discretionary in nature could slightly increase their sales, as per a recent report.

"Fears that consumer spending would dip because of the pandemic never really panned out," said Cindy Liu, eMarketer director of forecasting at Insider Intelligence. "In fact, most people spent more money shopping online than ever before, and that was a boon for digitally native brands that were uniquely positioned to weather store closures and capitalise on the shift to online."

"In recent years, many D2C brands realised that, in order to scale their businesses, they needed to experiment with secondary distribution channels, like opening up stores, partnering with retailers, and selling through wholesale distribution," Liu said. "But during the pandemic, the majority of D2C brands' sales were coming from their online channels."

Cuts Clothing co-founder and CEO Steven Borrelli had said last year that the company had planned to open a retail location in New York later in the year, but that was put on hold due to the pandemic. Instead, Cuts Clothing shifted its attention to delivering a premier online experience. Other D2C brands went through similar motions, and this digital-first approach is expected to continue, especially as the shift to e-commerce persists, said Insider Intelligence in the report.

As more stores reopen and consumers once again shop at brick-and-mortars, D2C brands will continue to expand into multiple distribution channels—with the focus still on e-commerce, the market research company said. D2Cs will also expand into new categories that are natural extensions of their brands.

Beyond this, there will be a greater focus on aligning brand values. Consumers have been paying closer attention to sustainability, locally sourced products, and whether or not brands are helping to serve communities.

"Now is the time for D2Cs to get into expansion mode and figure out how to capitalise on the growth they saw last year," Liu said. "With shoppers feeling more comfortable returning to stores, these brands will likely face heightened competition, so the last thing they want is to lose relevancy with the customers they've just acquired."

Source: fibre2fashion.com – Apr 28, 2021

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Sri Lanka's Hayleys Fabric buys 98.84% stake in South Asia Textiles

Hayleys Fabric Plc, a pioneer in weft knit fabric manufacture in Sri Lanka, has acquired 98.84 per cent equity stake of South Asia Textiles Limited for a consideration of Rs 3,953,361,887. Colombo-headquartered South Asia Textiles specialises in knitting, dyeing, finishing, printing, bushing, and sueding pre-shrunk fabric for several leading global brands.

Hayleys purchased 97.68 per cent stake from Ambeon Holdings and 1.16 per cent share from a minority shareholder. The acquisition "supports Hayleys Fabric Plc's strategic plan to expand capacity for higher value-added fabrics for exports by aligning with world class tier-1 brands under its portfolio of customers," Hayleys Fabric chairman AM Pandithage said in a corporate disclosure with the Colombo Stock Exchange.

South Asia Textiles, which commenced its commercial operations in 2004, produces for leading global brands such as Victoria Secret, Next, Marks & Spencer, Tesco, Calvin Klein, Decathlon and Adidas.

Hayleys Fabric, which commenced operations in 1992, is recognised as a world class fabric manufacturer with a high degree of innovative capabilities with its own brand, Inno. The company has an annual turnover of $72 million with a capability of delivering over 3 million metres of fabric per month. It is listed on the Colombo Stock Exchange having a total asset value of $48 million.

Source: fibre2fashion.com – Apr 28, 2021

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Recruitment demand in Vietnam textile sector up 50% in Q1: Report

The demand for middle and senior personnel in the Vietnamese textile industry has increased by 50 per cent in the first quarter (Q1) of 2021, according to a recent report. The Free Trade Agreements (FTAs), especially the European Union-Vietnam Free Trade Agreement (EVFTA), have led to an increase in export orders for textile and garment enterprises in the country.

In addition, the situation in Myanmar has redirected orders into Vietnam, leading to increased demand in the textile and garment industry, especially in March 2021, said Navigos Group, Vietnam's leading recruitment service provider, in its report. Compared to the same period in 2020, the demand in this industry has increased by about 50–60 per cent, especially for middle and senior management positions.

Textile and garment enterprises are looking to fill positions in both production and commercial office departments for Vietnam and other regions in Southeast Asia. Japanese and Korean job seekers are more preferred for the commercial office departments, while for production, the most sought-after candidates are Chinese, Sri Lankan and Indian, the report said.

Source: fibre2fashion.com– Apr 28, 2021

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Bangladesh apparel seeks incentive amid 2nd wave

As the COVID-19 pandemic the second wave hit continuing in Bangladesh, the country's apex textile and apparel trade bodies the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) and the Bangladesh Textile Mills Association (BTMA), have pressed the government to give incentives to textile and apparel companies for paying wages and bonuses before the Eid festival to RMG workers.

BGMEA, BKMEA and BTMA wrote a joint letter to the Minister of Finance on April 24. In the letter, BGMEA President Faruk Hasan, BKMEA President AKM Selim Osman MP and BTMA President Mohammad Ali Khokon demanded the government to provide loans on easy terms. The money is needed to aid RMG companies to pay salaries, bonuses and allowances for April, May and June 2021.

The apparel exporters are under pressure to pay wages as fashion buyers are unwilling to make payments in the wake of lockdowns imposed in various countries due to the 2nd wave of COVID-19. The Bangladeshi garment sector is in a financial crisis due to order cancellations and delayed payments, as per the letter.

"Bangladesh's garment industry exports garments at a lower price than other countries to maintain export potential in the world market for which profit in this sector is very low. Garment owners are forced to take orders facing loss in most cases. And, employees in this sector are paid after receiving payment from the buyers and incentive for cash assistance," the letter read.

"The exporters now are unable to apply for cash assistance due to non-repatriation of export value. Many buyers are also completing the payment at a discounted rate, making it harder for the institutions to solve the liquidity crisis," it continued. The Bangladesh government had last year offered a loan of Tk 10,500 crore to the garment industry to pay wages for April-July 2020.

Source: textiletoday.com.bd– Apr 27, 2021

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NATIONAL NEWS

India GDP growth to rebound to 11% in FY21-22, moderate to 7% in FY22-23: ADB

Forecast expects economic impact of second Covid wave to be more muted than first outbreak

The Asian Development Bank (ADB) has projected India's gross domestic product (GDP) growth to rebound strongly to 11 per cent in current fiscal on the back of continued economic recovery boosted by increased public investment, vaccine rollout and surge in domestic demand.

This forecast assumes that vaccines are deployed extensively across the country and the second wave of the coronavirus (Covid-19) pandemic is contained.

In its latest flagship economic publication, Asian Development Outlook (ADO), ADB forecast India's economic growth to moderate to 7 per cent in FY 2022 as base effects disappear.

Domestic demand

Domestic demand is expected to remain the main driver of growth this fiscal. A faster vaccine rollout will boost urban demand for services while rural demand will be boosted by robust agriculture growth and continued government support to farmers by expanding irrigation, improving value chains and increasing farm loan limits.

The economy is expected to have contracted by 8 per cent in 2019-20 in line with the government's second advance estimate.

"India's economy faced its worst contraction in FY2020 (2020-21) due to the Covid-19 shock. With large government stimulus and ongoing vaccination drive, we expect economic activity will continue its recovery started from the third quarter of FY2020 (2020-21) and rebound strongly in the current fiscal year with an uptick in domestic demand, especially in urban services", said ADB country director for India, Takeo Konishi, in a statement. "The government's boost to public investment through its infrastructure push, incentives for manufacturing and continued support to boost rural incomes will support India's accelerated recovery".

Downside risks

ADB also said that risks to the outlook tilt to the downside. An uncertain pandemic trajectory with a prolonged second wave despite the vaccination push could affect India's economic normalisation. The forecast, however expects, the economic impact of the second wave to be relatively muted compared to the first wave in line with global experience.

Other downside risks include further tightening of global financial conditions on fast recovery in developed countries, which would apply pressure on India's market interest rates.

Economic activity will continue to normalise and recover, backed by government measures over the past year, including a large stimulus in FY2020 and a steep increase in capital expenditure budget in FY2021, the ADB report said.

Increased government expenditure on healthcare, water and sanitation will strengthen the country's resilience against future pandemics, it said.

Private investment is expected to pick up on improving sentiment and risk appetite, as well as accommodative credit conditions.

Agri sector drivers

Forecast of a normal monsoon and bumper harvest of summer crops will further boost the agriculture sector. The government's push to the manufacturing sector through the production-linked incentive scheme will expand domestic production and help integrate domestic manufacturing with global supply chains.

Inflation, after rising to 6.2 per cent in FY2020, is projected to moderate to 5.2 per cent in FY21-22 as good harvests and supply chain recovery contain domestic food inflation. Inflation is expected to ease further to 4.8 per cent in FY2022 on moderating domestic demand as the economy returns to normal. This will help the central bank maintain an accommodative stance by ensuring ample liquidity and keeping long-term interest rates from raising, the ADB said.

Source: thehindubusinessline.com– Apr 28, 2021

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India, Australia, Japan trade ministers' meet riles China

China on Wednesday sharply reacted to a trilateral initiative by the trade ministers of India, Japan and Australia to launch the Supply Chain Resilience Initiative (SCRI), saying shifting of industrial chains is against economic laws and disrupts global supply chains.

Australia's Minister for Trade, Tourism and Investment Dan Tehan, India's Commerce and Industry Minister Piyush Goyal and Japan's Minister for Economy, Trade and Industry Kajiyama Hiroshi virtually launched the SCRI, which media reports described as an initiative to counter China's dominance on international trade.

The SCRI seeks to enhance the resilience of supply chains in the Indo-Pacific region and develop dependable sources of supply and attract investment.

When asked for his reaction to the meeting of the three ministers and the launch of the SCRI, Chinese Foreign Ministry spokesman Zhao Lijian told a media briefing here that the formation and development of global industrial and supply chains are the result of market rules and choice of enterprises.

"The upper and lower reaches of industrial chains have a relationship that is cooperative and for win-win results. It is not a gift from one side to the other, he said.

"Shifting industrial chains is against economic laws and facts. That would be not helpful to solving problems faced by countries and would disrupt global industrial supply chains and they would not be conducive to stability and recovery of the world economy, he said.

"With COVID-19 in place, we hope the relevant parties can value the achievements in international cooperation on fighting the virus, respect market rules and free trade rules, do things that are conducive to mutual trust and cooperation and jointly safeguard the steady and smooth operation of supply and industrial chains to move the world economy towards sustainable, strong, balanced and inclusive growth," he said.

The trade ministers of India, Australia and Japan have instructed their officials to implement certain steps such as holding investment promotion events and share best practices as part of the SCRI of these three countries, according to a joint statement issued after the meeting.

Noting that some supply chains have been left vulnerable due to a range of factors, the ministers acknowledged that the COVID-19 pandemic had revealed supply chain vulnerabilities globally and in the region. According to a joint statement, which was adopted at the meeting, the ministers instructed their officials to implement certain steps as initial projects of SCRI and further develop the initiative.

The steps include "sharing of best practices on supply chain resilience; and holding investment promotion events and buyer-seller matching events to provide opportunities for stakeholders to explore the possibility of diversification of their supply chains," it added. The ministers also decided to convene at least once a year to provide guidance to the implementation of the SCRI as well as to consult on ways to develop the initiative.

"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," it said. In his speech, Commerce and Industry Minister Piyush Goyal proposed that sharing of information should lead to capacity building, which will further help in making the matching events more result-oriented.

Based on the information that will be shared, he said, officials should map the existing supply chains, identify the gaps and discuss possible options to make them more resilient and efficient so that an outcome with a better score on account of quality, cost, and delivery can be achieved.

"I would like to urge our senior officials to select five products for which a larger part of their supply chains exist in India, identify the gaps therein and then disseminate the related information to the Japanese and Australian companies looking at diversifying or relocating themselves," the minister added.

Goyal further said that India has announced the PLI schemes worth USD 26 billion covering 13 champion sectors in the next five years to create and nurture manufacturing global champions for an Aatmanirbhar Bharat. "I would like to invite companies in your countries to utilise these incentives to increase their commercial viability while achieving diversification of supply chains," he added.

Source: financialexpress.com– Apr 28, 2021

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TDI imports: FinMin imposes anti-dumping duty on EU, US, Chinese Taipei, Japan and South Korea

DGTR had recommended imposition of definitive anti-dumping duty, this January

The Finance Ministry has imposed a definitive anti-dumping duty on imports of Toluene Diisocyanate (TDI), an organic chemical, from the Chinese Taipei, EU, Japan, South Korea and the US.

This revenue department move comes after the Designated Authority in the Directorate General of Trade Remedies (DGTR), in January this year, had recommended imposition of definitive anti-dumping duty on TDI imports from these countries.

Narmada Chematur Petrochemicals Ltd, the sole producer of TDI in the country, had filed the petition seeking anti-dumping duty on TDI imports from the Chinese Taipei, EU, Japan, South Korea and the US.

TDI usage

TDI is a clear liquid and is used in the production of flexible polyurethane foam, which is used for cushioning for a variety of consumer and commercial products, including bedding, furniture, automotive interiors, carpet underlay and packaging.

In the case of TDI produced by Covestro Deutschland AG and exported from EU, the anti-dumping duty has been pegged at $221.04 per tonne. For TDI produced by Borsod Chem Zrt, the anti dumping duty has been pegged at $102.05 per tonne. For all other producers from the EU, the anti-dumping duty has been pegged at $264.96 per tonne.

The revenue department has imposed an anti-dumping duty of $217.55 per tonne on TDI produced by Sadara Chemical Company, Saudi Arabia. For all other producers from Saudi Arabia, the anti dumping duty has been pegged at $344.33 per tonne.

For TDI imports from Chinese Taipei, the anti-dumping duty has been pegged at $274.39 per tonne. In the case of TDI imports from United Arab Emirates (UAE), the anti-dumping duty has been pegged at $368.20 per tonne.

The definitive anti-dumping duty will be valid for five years from the date of imposition of provisional anti-dumping duty, which happened to be December 2 last year, the revenue department has said.

Source: thehindubusinessline.com– Apr 28, 2021

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MSMEs urge FM Nirmala Sitharaman to review NPA classification norms

Stung by the second wave of the Covid-19 pandemic, small businesses have urged Finance Minister Nirmala Sitharaman to review classification norms for bad loans and rationalise import duty on key raw materials such as iron and steel.

The Federation of Indian Micro, Small and Medium Enterprises (FISME) in its suggestions to the finance ministry has said that "more than the requirement of additional funds, the greatest need that has emerged is the flexibility in assigning non-performing assets (NPAs)".

The industry body has said the framework to classify accounts under Special Mention Account (SMA) framework has been devised for normal times, and should be revised for pandemic-hit years. Accounts are classified as SMA-0 if principal and interest is overdue between 1 to 30 days; SMA-1 and SMA-2 if repayment is overdue between 31 to 60 days, and 61 to 90 days, respectively.

A revision is needed because payment cycles are longer now and markets have been disrupted because of lockdowns, the industry body said. "Banking cannot be just excel-sheet based; the system ought to provide much needed flexibility to the banker so that these facts could be factored in," FISME said in the letter to Sitharaman on Tuesday.

Small businesses have also sought a legislation providing protection from prosecution due to non-compliance during the pandemic up to March 31, 2022. The ratings of such businesses should also not be aff-ected during the period, it said. "Government needs to convey down its rank and file that no MSME should be shut due to com-pliance-related rigidity," it said.

The umbrella body of small businesses has also suggested that import duty on key raw materials such as iron, steel, copper, aluminium and polymers should be rationalised as domestic producers have been unethically raising prices for the past six months. Close monitoring of prices of top 10 raw material should also be done by secretaries of key economic ministries. Sitharaman has been meeting industry associations over the last one week to discuss the disruptions caused by the second wave, and had sought their inputs.

The finance ministry has at the moment ruled out any fiscal stimulus for the industry.

Last year's nationwide lockdown severely impacted small businesses, as they struggled with job loss and liquidity crunch. Thereafter, the government announced a slew of measures for MSMEs, including a ~3 trillion government-backed loan scheme. The Emergency Credit Line Guarantee Scheme was recently extended up to June 30 or until disbursement of ~3 trillion is complete.

While the economic situation is not as severe at the moment, there has been some disruption because of localised curbs across states such as Maharashtra.

Source: business-standard.com– Apr 28, 2021

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Cabinet approves customs co-operation agreement with the UK

It covers mutual administrative assistance in customs matters

The Union Cabinet has approved the signing and ratification of an agreement between India and the UK on Customs Cooperation and Mutual Administrative Assistance in Customs Matters.

The agreement will help in the availability of relevant information for prevention and also investigation of customs offences. It is also expected to facilitate trade and ensure efficient clearance of goods traded between the countries, an official release said.

Implementation

The agreement will be signed on behalf of the Governments of the two countries after it is approved by the respective Governments. This would enter into force from the first day of the month following signature by duly authorised representative of both parties.

The agreement would provide a legal framework for sharing of information and intelligence between the customs authorities of the two countries and help in the proper application of customs laws, prevention and investigation of customs offences and the facilitation of legitimate trade.

The draft text of the proposed agreement has been finalised with the concurrence of the two Customs Administrations.

The agreement takes care of Indian Customs' concerns and requirements, particularly in the area of exchange of information on the correctness of the Customs value, tariff classification and origin of the goods traded between the two countries, the release added.

Source: thehindubusinessline.com– Apr 28, 2021

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RBI launches latest round of surveys to get inputs for monetary policy

The Reserve Bank on Wednesday announced the launch of the latest round of households' surveys to capture inflation expectations and consumer confidence, which provides useful inputs for its monetary policy.

The central bank has been regularly conducting these surveys.

Announcing the launch of the May 2021 round of Inflation Expectations Survey of Households (IESH), the RBI said it aims at capturing subjective assessments on price movements and inflation of approximately 6,000 households, based on their individual consumption baskets, across 18 cities.

"The survey seeks qualitative responses from households on price changes (general prices as well as prices of specific product groups) in the three months ahead as well as in the one year ahead period and quantitative responses on current, three months ahead and one year ahead inflation rates," it said.

The cities include Ahmedabad, Bengaluru, Bhopal, Bhubaneswar, Chandigarh, Delhi, and Guwahati.

The May 2021 round of Consumer Confidence Survey (CCS) will cover approximately 5,400 respondents across 13 cities, including Ahmedabad, Bengaluru, Bhopal, Chennai, Kolkata, Lucknow, Mumbai and Thiruvananthapuram.

The CCS seeks qualitative responses from households, regarding their sentiments on general economic situation, employment scenario, price level, households' income and spending. The agency engaged by the RBI will conduct the surveys over telephone (instead of regular personal interview mode) in view of the COVID-19 pandemic.

The next meeting of the rate-setting Monetary Policy Committee (MPC) is scheduled during June 2 to 4, 2021.

Source: economictimes.com– Apr 28, 2021

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Karnataka: Now, garment factories can function with 50% staff

The Karnataka government on Wednesday issued an addendum to its existing order on a 14-day 'Corona Curfew' in the State to allow garment factories to function. In its second addendum since the order for a shutdown, the State government said garment factories and units can function with 50% workforce and adequate Covid protocols in place, starting Thursday.

The order comes as a huge relief to lakhs of garment factory workers who were staring at pay loss for 14 days, as all manufacturing industries, except the garment industry, were allowed to function. The order comes after a delegation of Garments and Textile Workers Union submitted a memorandum to the government, highlighting the economic strain lakhs of workers will be put through if garment units remain non-functional for the next two weeks.

"Despite a government order mandating full salaries to garment workers during last year's lockdown, only 50,000 workers out of lakhs could get salaries.

Many workers are sole breadwinners for the family and factories closing down means they have no source of income. Many factory workers have reduced food consumption due to financial constraints. Industry picked up pace in October last year and was slowly returning to normal. The 14-day close down would have rendered lakhs penniless.

This order will ensure that at least 50% of workers get some money," said Jayaram KR, legal adviser to the Garment and Textile Workers' Union. He, however, added that factories have to be forced to strictly follow Covid protocols, including social distancing, panels to separate work stations etc.

The Bangalore Chamber of Industry and Commerce also welcomed the government's decision and said it would "strongly augur with the PM's message of balancing life and livelihood in battling the Covid pandemic".

The Karnataka government had initially allowed all industrial and manufacturing units except garments to function during the 14-day shutdown.

Garment factory workers can use their identity cards to travel to work, the order added. While many garment workers in Bengaluru live within a 2-km radius of the factory and can walk to work, workers in districts like Mysuru, Tumakuru etc who travel 20-25 km for work are worried over lack of public transport.

Source: newindianexpress.com– Apr 29, 2021

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