**INTERNATIONAL NEWS**

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INTERNATIONAL NEWS

USDA Acreage Report: U.S. Cotton Acres Drop 11% in 2020

The USDA Acreage report for 2020, issued June 30, shows U.S. cotton planted acreage of 12.2 million acres – down 11% from 2019 reported acres.

The total includes 12.0 million upland cotton acres (down 11% from 2019) and 195,000 Pima acres (down 15%).

In its Prospective Planting report released on March 31, USDA projected a total of 13.7 million cotton acres for 2020, down less than 1% from 2019.

Sixteen of the 17 cotton producing states included in the report showed acreage decreases for the year. Only Kansas reported an increase – from 175,000 acres in 2019 to 195,000 acres in 2020.

From a regional perspective:

- Southeast (AL, FL, GA, NC, SC, VA): 2,450,000 acres reported for 2020 – 515,000 acres fewer than 2019.
- Mid-South (AR, LA, MS, MO, TN): a total of 1,880,000 acres – a drop of 520,000 from 2019.
- Southwest (KS, OK, TX): 7,450,000 reported acres for 2020 – down 427,000 acres from 2019.
- West (AZ, CA, NM): 405,000 reported acres – down 88,700 acres from 2019.

Individual state numbers for cotton and other crops can be found in the report. The report also showed that 96% of all cotton planted in the U.S. this year included biotech traits for insect and/or herbicide resistance – a 2% decrease from 2019 plantings.

Among other major crops, the report showed an overall 3% increase in corn acres, a 10% increase in soybean acres and a 2% drop in wheat acres for the year. Slight acreage increases were also reported for sorghum, rice and peanuts.

Source: cottongrower.com– Jun 30, 2020
Global 2020-21 cotton ending stocks highest in 6 yrs: USDA

Cotton projections for 2020-21 (August-July) indicate that global cotton ending stocks are forecast at their highest in 6 years, the June month’s Cotton and Wool Outlook released by the US department of agriculture (USDA) said.

World stocks are projected to rise for the second consecutive season in 2020-21 to 104.7 million bales, 4 per cent above 2019-20.

World stocks at the end of 2020-21 season are projected to be the second largest on record behind 2014-15, the Economic Research Service of the USDA said.

At the end of 2014-15, global stocks totalled 106.7 million bales, with China accounting for 62 per cent of the total as government policies there resulted in surplus stock accumulations. As subsequent policies reduced China’s stocks, the share of global cotton supplies for other countries increased in recent years.

For 2020-21, cotton stocks in China are forecast lower at 35.6 million bales—34 per cent of the world total.
Meanwhile, stocks outside of China are expected to rise 9 per cent to 69.1 million bales, with stock gains for India and the United States over the past 2 years leading the increase.

For India, stocks are projected to reach a record 21.1 million bales (20 per cent of the total) in 2020-21, resulting from large crops and reduced demand. For the United States, cotton stocks are forecast at 8.0 million bales (8 per cent of the total), the highest since 2007-08.

Source: fibre2fashion.com– Jun 30, 2020

Fibre production likely to rise 30% to 146 mn MT by 2030

In 2019, global fibre production was around 111 million metric tonnes (MT). Fibre production has more than doubled in the last 20 years and is expected to increase by another 30 per cent to 146 million MT in 2030 if business as usual continues, according to the New 2020 Preferred Fibre & Materials Report by global non-profit Textile Exchange.

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<tr>
<th>Fibre type</th>
<th>Total world production (in metric tonnes) in 2019</th>
<th>Percentage of global fibre production in 2019</th>
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<tr>
<td>Synthetic fibres</td>
<td>70 million</td>
<td>63%</td>
</tr>
<tr>
<td>Polyester</td>
<td>58 million</td>
<td>52%</td>
</tr>
<tr>
<td>Cotton</td>
<td>25 million</td>
<td>23%</td>
</tr>
<tr>
<td>Man-made cellulosic fibres</td>
<td>7 million</td>
<td>6.4%</td>
</tr>
<tr>
<td>Polyamide</td>
<td>5.6 million</td>
<td>5%</td>
</tr>
<tr>
<td>Wool</td>
<td>1 million</td>
<td>1%</td>
</tr>
<tr>
<td>Other plant-based fibres, including jute, linen and hemp</td>
<td>--</td>
<td>6%</td>
</tr>
<tr>
<td>Silk &amp; down</td>
<td>--</td>
<td>&lt;1%</td>
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With a market share of 25 per cent in 2019 (2018-19 ICAC harvest year), the market for preferred cotton is more advanced than for most other materials. While the share of recycled polyester is rising and reached 14 per cent in 2019, it is not yet advancing at the speed and scale required.
Low prices of fossil-based polyester create a challenging market environment for recycled and bio-based polyester, said the report. As the fibre with the largest market share, the impact scale of polyester is enormous.

While using plastic bottles as feedstock is a good start—and most recycled polyester is currently based on plastic bottles—we need to move towards textile-to-textile recycling and urgently improve social conditions in waste collection and recycling.

Due to technical challenges and less attention due to lower volumes, the market share of preferred polyamide is still low compared to polyester.

The market share of recycled man-made cellulose fibres (MMCFs) is estimated at below 1 per cent, but as a lot of research and development is under way, so it is expected to increase significantly in the next few years.

Despite a high market share of MMCFs certified by Germany-based Forest Stewardship Council (FSC) and Geneva-based Programme for the Endorsement of Forest Certification (PEFC)—estimated at around 40-50 per cent—the risk of sourcing MMCFs from ancient or endangered forests remains high, said the report.

Conventional wool dominates the wool market but the adoption of non-mulesing and preferred wool programmes, such as the Responsible Wool Standard, is increasing. The market share of recycled wool is still low, but the impact potential is high, the report said.

Source: fibre2fashion.com– Jun 30, 2020
China: Domestic sales platforms may ease woes of exporters

China will help export-oriented companies to set up platforms for domestic sales and encourage them to participate in the country's big-ticket investment projects to offset the shortfall in revenue from exports due to the COVID-19 epidemic and inject fresh momentum, officials said on Tuesday.

They made the remarks after the State Council (China's Cabinet) issued a circular in late June to introduce measures to help exporters sell products domestically and help the foreign trade sector overcome difficulties.

The government will support domestic exporters to better connect with e-commerce platforms focusing on domestic sales and offer them more access to take part in the country's "new infrastructure" and new urbanization initiatives, as well as other major projects to seek new growth points, said Yang Guoliang, deputy director-general of the department of foreign trade under the Ministry of Commerce.

He said there is great growth potential for export products to be sold domestically. The growing internal market demand will provide an attractive domestic market for exporters, such as agricultural products, electronic appliances, light industry, textiles and clothing.

Domestic manufacturers are encouraged to make products on one production line, using the same standards and the same quality requirements for both foreign and domestic markets, to cut costs and achieve the transformation from exports to domestic sales. The policy will be expanded to the fields of general consumer goods and industrial goods, according to a newly released government document.

He said China will not only guide foreign trade companies to participate in the construction of major industrial and communication projects to widen their sales channels via the leading role of effective investment, but also accurately meet consumer demand by encouraging them to develop the right products, create their own brands, make full use of new sales models, and promote the integration of online and offline businesses.

China's major investment projects in various regions will certainly create fresh opportunities to export sectors, such as precision instruments, mechanical and electrical equipment, said Li Danghui, deputy director-
general of the ministry's department of market operations and consumption promotion.

The ministry will encourage foreign trade firms to meet the needs of consumption upgrade in the domestic market by developing readily marketable goods through big data, industrial internet and other technologies, she said.

To further restore the earnings strength of exporters, Li said the Ministry of Commerce will launch a number of nationwide consumption promotion activities in the second half of this year, to broaden Chinese exporters' domestic sales channels and further assist them in connecting with the nation's commercial enterprises and e-commerce platforms.

These moves will help China stabilize foreign trade, its expectations for economic growth, and maintain the employment rate and protect market players, said Lin Shaobin, deputy director-general of the department of enterprise management and audit-based control under the General Administration of Customs.

Under this new circumstance, experts said the competitive advantage of China's original design manufacturers, or ODMs, will be stronger than original equipment manufacturers, or OEMs, in terms of selling their products in the home market, because ODMs have capabilities in both production and design processes.

"ODMs with research and development capabilities usually rely on their own design teams to get orders from their foreign clients. Many Chinese firms' production research and development ability can even reach the global level, especially in China's Guangdong and Zhejiang provinces," said Sun Fuquan, a researcher at the Chinese Academy of Science and Technology for Development in Beijing.

Therefore, many Chinese players in this category have already gotten rid of the OEM status and become high-end production forces in the traditional market of industrial goods, said Zhuo Xian, a researcher at the Development Research Center of the State Council in Beijing.

Source: chinadaily.com.cn– Jul 01, 2020
BCI cotton reaches 22 per cent of global production

The Better Cotton Initiative (BCI) has launched its 2019 annual report. In the report, BCI shares that Better Cotton, cotton produced by licensed BCI farmers in line with the initiative’s Better Cotton principles and criteria, now accounts for 22 per cent of global cotton production. BCI is one of the largest cotton sustainability programme in the world.

In the 2018-19 cotton season, together with expert on-the-ground implementing partners and with support from more than 1,800 members, BCI provided training on more sustainable agricultural practices to 2.3 million cotton farmers, 2.1 million gained a license to sell Better Cotton. This drove the volume of more sustainably produced cotton available on the global market to a new level, according to a press release by Better Cotton.

At the opposite end of the supply chain, BCI’s retailer and brand members passed a significant milestone at the end of 2019, sourcing more than 1.5 million metric tonnes of Better Cotton, a record for BCI. That’s a 40 per cent increase on 2018 and sends a clear signal to the market that Better Cotton is becoming a sustainable mainstream commodity. Better Cotton uptake now accounts for 6 per cent of global cotton production.

According to the 2019 report, Better Cotton was grown in 23 countries in the 2018-19 cotton season. Licensed BCI Farmers produced 5.6 million metric tonnes of Better Cotton. That is enough cotton to make approximately 8 billion pairs of jeans, a pair each for every person in the world.

Better Cotton now accounts for 22 per cent of global cotton production. BCI and its 76 field-level partners delivered training and support to a total of 2.3 million farmers. Around 2.1 million cotton farmers received a BCI license to sell their cotton as Better Cotton, 99 per cent are smallholders farming on less than 20 hectares.

BCI retailer and brand members sourced 1.5 million metric tonnes of cotton as Better Cotton in 2019, a record volume. Uptake of Better Cotton now accounts for 6 per cent of global cotton production. BCI welcomed more than 400 new members in 2019. By the end of the year, BCI had 1,842 members across five membership categories, a 29 per cent increase on 2018.
“It is particularly pleasing to share the progress BCI is making, thanks to the concerted efforts of our members, partners and other stakeholders, towards our 2020 targets. With two more cotton seasons (2019-20 and 2020-21) within which to make further advances at field level, we are committed to not only continuing to deliver beneficial change at field level, but also to learning from the experience and adapting to become more effective.

We do not yet know how close we will come to our 2020 targets, and we are still assessing how the current COVID-19 pandemic will impact our efforts. But one thing is certain, we have made significant and undeniable progress over the past ten years, and there are many successes to celebrate,” Alan McClay, CEO of BCI said.

Source: fibre2fashion.com– Jun 30, 2020

Brands turn to affordable luxury to stay put: GlobalData

Luxury has been one of the most hit industries in the retail sector due to the COVID-19 pandemic, which has led to the closure of several luxury stores across the Asia-Pacific (APAC) region, bringing their revenue stream to a standstill during the first half of 2020, according to data analytics company GlobalData, which said brands are now turning to affordable luxury to stay afloat.

According to GlobalData’s Retail Intelligence Centre, APAC luxury sales are projected to register a negative growth of 3.4 per cent to reach $60.3 billion in 2020, compared to $62.4 billion in 2019.

“COVID-19 has forced luxury brands to postpone their fashion shows, cancel promotions events, and disrupted supply chains. However, since the start of the second quarter (Q2) of 2020, several countries in the region including China, Japan and South Korea have lifted most of their lockdown measures to bring normalcy in their economies while countries such as India have begun phased relaxation of lockdown measures. This will bring some relief to luxury retailers as they can now open their stores and resume operations,” said Suresh Sunkara, retail analyst at GlobalData, in a company statement.
However, due to low consumer confidence in APAC which is currently at an all-time low, luxury retailers are not expected to regain their sales growth anytime soon. In addition, the threat of an extended COVID-19 crisis and an impending global recession will force consumers in the region to cut back on big-ticket items, especially luxury products.

“International travel restrictions are still in place, resulting in continued closure of duty free stores in airports, a major contributing channel for luxury sales. As a result, store closures and sales decline are bound to force luxury retailers to re-evaluate their price positioning and launch affordable luxury product lines to revive volume sales in these testing times,” Sunkara concluded.

Source: fibre2fashion.com– Jun 30, 2020

Vietnam’s export story is strikingly similar to China’s

Vietnam has been a major success story on the exports front over the last decade. Its exports between 2008 and 2018 have increased at a very fast pace from $69.7 billion to $259.5 billion. Can Vietnam become the next China over the coming decade? Mint takes a look.

Brisk pace
Vietnam's exports have been growing rapidly over the years. The share of network products in its export basket grew from 6% in 2000 to 47% in 2018.
What's led to Vietnam’s comparison with China?

Vietnamese exports had fallen to $66.4 billion after the financial crisis of 2009. However, they have risen ever since, reaching $259.5 billion in 2018. In 1992, Chinese exports were $66.8 billion. By 2001, they had reached $272.1 billion. As such, the increasing exports of Vietnam have followed a trajectory almost similar to that of China, leading to comparisons.

The trouble is that Indian exports followed an almost similar trajectory between 2000-2009, increasing from $60.9 billion to $273.8 billion, a jump of close to 350%. However, the growth in exports from India slowed down majorly between 2009 and 2018.

Is there another reason for the comparison?

One reason for the success story of Chinese exports is that the manufacturing sector has become a part of global supply chains, which make network products. As the Economic Survey of 2019-20 puts it: “In general, these products are not produced from start to finish within a given country. Instead, countries specialize in particular tasks or stages of the good’s production sequence...Labour abundant countries, such as China, specialize in low-skilled labour-intensive stages of production such as assembly, while richer countries specialize in capital, skill-intensive stages such as R&D." Vietnam is moving along a similar line.

What part of Vietnamese exports are network items?

The share of network products, such as electronic and electrical equipment, telecommunication equipment in the Vietnamese goods exports in 2000 stood at 6%. By 2018, this had jumped to 47%. During the same period, China’s share increased from 34% to 52%. In Vietnam’s case, these exports include assembled end products, and parts and components.

What are the reasons for Vietnam’s success?

As the Economic Survey points out: “Bangladesh, China, and Vietnam... have more than 80% of market value of exports by large enterprises, India has 80% by small enterprises. Moreover, in India it can take 7-10 days to reach a port whereas in countries like China, Bangladesh and Vietnam it takes less than a day." Network products are made across countries and,
hence, need quick turnaround times. In Vietnam, it takes 0.3 days for a consignment to reach a port. In Bangladesh it takes about a day.

**What about Vietnam’s agreement with EU?**

In early June, Vietnam ratified a free trade agreement with the European Union. This will mean tariffs on most products that the country exports to the European Union will either be cut or eliminated totally. Hence, it makes even more sense for companies moving their operations out of China to move to Vietnam now. Meanwhile, in India, we are still harping about our low-cost advantage. While that matters, it is not the only factor.

Source: livemint.com– Jun 30, 2020

**Hong Kong textile and apparel re-exports decline by 29%**

The value of Hong Kong’s re-export of apparel and textile products during January to April ’20 period has declined by 29 per cent while the exports of locally made products increased significantly.

According to the statistics released by the Census and Statistics Department (Hong Kong) and compiled by the Hong Kong General Chamber of Textiles, the region re-shipped apparel and textile worth HK $ 32,689 million in the said period.

The decline in re-exports can be attributed to the impact of pandemic outspread. Of total re-export value, apparels contributed HK $ 18,600 million and the share of textiles was HK $ 14,090 million. Mainland China accounted for HK $ 7,761 million of this re-export value, declining around 26 per cent on the yearly note. On the other hand, the US and EU accommodated HK $ 5,274 million and HK $ 4,677 million, respectively, falling by 45.50 per cent and 23.60 per cent from their respective imports from Hong Kong.

Hong Kong’s re-export to ASEAN – a 10-nation bloc – too declined by 19.80 per cent and it clocked HK $ 6,077 million from the region.

Source: fashionatingworld.com– Jun 30, 2020
Evolution of Vietnam’s Textiles & Garments Industry amid COVID-19

Vietnam, the third largest textiles and apparel exporter in the world, has held its ground against the COVID-19 pandemic with its best and comprehensive strategies and implementation.

Despite a population of over 96 million and sharing its land border with China, Vietnam has recorded only 288 Covid-19 cases and zero deaths till May 10, 2020. The country’s highly effective containment of the Covid-19 pandemic proved to be an advantage for its investment environment, helping economic recovery and taking the country in a new position on the global stage, according to planning and investment minister Nguyen Chi Dung.

Raw Material Shortage

Vu Duc Giang, chairman of the Vietnam Textile and Apparel Association told that Vietnam’s garment industry started facing difficulties in the beginning of March due to supply interruptions. The local companies had enough raw materials for the first quarter, but they started facing shortage of materials from the 2nd quarter as they were not able to import materials from their key suppliers such as China, Japan and South Korea.

GDP Growth Estimations by Ministry of Planning and Investment

Last year, Vietnam achieved impressive GDP growth of 7.02 per cent, surpassing the set target by the National Assembly and bringing the economy scale to more than $262 billion, the highest level so far.

According to the Ministry of Planning and Investment, the country’s 2020 GDP growth would have been 6.25 per cent (0.55 percentage points lower) despite the target of 6.80 per cent approved by the National Assembly of the country, if the epidemic had persisted only for first quarter of this year. If it remained in second quarter, the GDP growth would decrease to 5.96 per cent (0.84 percentage points lower than the original target). This forecast was made before the epidemic spread in South Korea and Japan.

As per the report from Bảo Việt Securities Company (BSC), China, South Korea and Japan accounted for the 1/3rd of Vietnam’s export revenue and 2/3rd of its import value in 2019. BSC analysts also had predicted that the
country’s GDP growth rate would have been lowered by 1.05 percentage points from 6.80 per cent target if the outbreak had lingered only for the 1st quarter, while it would reduce by 1.55 percentage points from the target if the epidemic remained for 6 months.

In May 2020, as per the General Statistics Office of Vietnam (GSO), country’s GDP fell to 3.80 per cent in the 1st quarter of 2020, as compared to 6.80 per cent in the same period in 2019. The International Monetary Fund (IMF) has also projected that the economy will expand to only 2.70 per cent this year.

**Government’s Initial Suggestions in March 2020**

1. People must implement policies more seriously, quickly, drastically and efficiently.
2. Information must be provided in an accurate, transparent and comprehensive manner in order to improve market sentiments and to reduce unnecessary overreactions.
3. The COVID-19 Prevention and Control Steering Committee must have enough staff with in-depth economic and investment expertise to make sound economic contributions and recommendations.
4. The Government must monitor the situation continuously to stabilise the macro-economy, while ensuring liquidity. Debt rescheduling and freezing for businesses affected by COVID-19 should be considered.
5. If possible, the State Bank of Vietnam should create conditions for commercial banks to cut lending rates.
6. Fee reductions and rescheduling of insurance and tax payments should be implemented immediately for vulnerable business groups.
7. Tax reductions must be thought-out.

In fact, many commercial banks have already reduced the lending interest rates for businesses affected by COVID-19. Few proposals related to tax reductions have already been taken care.

**Challenges**

1. Protection of health of workers and support of their livelihood.

2. Smooth customs clearance and import-export procedures at border gates. This is also an opportunity for Vietnam to assess partners and markets, and review measures to manage risks and to promote the development of cashless transactions and digital transformation.
Country’s Exports Scenario
As per WTO data, Vietnam’s total import and export turnover moved to $235.5 billion in 2019 from $242.6 billion in 2018. Exports from Vietnam have increased by 4.70 per cent from January to the end of April, the General Bureau of Statistics reported in the beginning of the May 2020. The sales reached $82.9 billion, according to the agency. In the first nine months of 2019, exports to the US jumped by 34.80 per cent year on year.

Textiles and Garment Exports

In 2019, Vietnam reaped roughly $32.60 billion from exporting textiles and garments, up 6.90 per cent against 2018, according to the office. Data from the Vietnam Textile and Apparel Association (VITAS) showed that garment and textile exports in the first four months fell 6.60 per cent year-on-year to $10.64 billion. Meanwhile, the total import value was $6.39 billion, down 8.76 per cent compared to the same period last year.

Approximately 15 groups of products with sales exceeding a billion dollars were reaffirmed as the mainstay of exports including textiles and clothing ($10.64 billion). Country’s textile and garment exports in April decreased by 20 per cent compared to March, according to VC of VITAS.

Exports of fibres, clothes and garments fell between 6 to 22 per cent in the first four months of this year as compared to same period of previous year. Optimistically, Vietnam’s export value would achieve the mark of $35 billion this year, down 10 per cent year-on-year. In a realistic scenario, the industry’s export value is estimated to reach about $33.5 billion with 15 per cent drop. In a worst case, the export value would remain between $30 billion and $31 billion in 2020 with a plunge of 23 per cent.

Garment Exports

Vietnam is mainly focused on the garment business. Vietnam has imported up to 89 per cent of fabrics (55 per cent from China/16 per cent from South Korea/12 per cent from Taiwan/6 per cent from Japan). The US and EU account for more than 60 per cent of the country’s garment exports.

Vietnam’s garment exports have fallen by 9.07 per cent year on year in the 1st quarter of this year and imports by 16.59 per cent. The US and European buyers have suspended or cancelled orders since mid-March, according to the Vietnam National Textile and Garment Group (Vinatex), whose 1st quarter revenue dropped by 7 per cent year on year.
For the first four months of this year, export value moved down by about 6 per cent to $8.27 billion for garment products, 0.30 per cent to $664 million for fabric products, 11.50 per cent to $1.19 billion for yarn products and 6 per cent to $354 million for textile materials.

Vietnamese garment manufacturers predominantly focus on the simplest cut-make-trim (CMT) model where buyers control and own all the pre- and post-production processes. CMT production accounts for approximately 65 per cent of Vietnam’s total exports, while the more advanced business models, like Original Equipment Manufacturer (OEM) and Original Design Manufacturer (ODM) that allow for higher profit margins account for only 35 per cent.

**Higher Exports to Canada and Mexico**

Vietnam got benefitted with the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) to gain strong growth in exports to Canada and Mexico. According to the Ministry of Industry and Trade (MoIT), Canada and Mexico are the two CPTPP members that have yet to sign bilateral free trade agreement (FTAs) with Vietnam.

In January and February 2020, Vietnam’s exports to Canada rose by 20.39 per cent to $578 million year on year. Canada is a potential market for Vietnam for multiple products including textiles and footwear. For 1st two months, textile and apparel export value exceeded $100 million, up 5.86 per cent year on year. Vietnam's export value to Mexico moved to $497.2 million for the same period. Of which, textiles and garments contributed for $16.3 million.

During the period from Jan 1 until March 15, many product groups have recorded the high export growth from Vietnam to Canada and Mexico including textiles and garments with contribution of $5.88 billion in total exports.

[Click here for more details](#)

Source: fibre2fashion.com– Jun 30, 2020
Bangladesh: Deemed exports: Import substitution par excellence

In the 1950s and 1960s a new paradigm of industrialisation and development had taken developing countries by storm - import substituting industrialisation (ISI). But that was soon overtaken in the 1970s and beyond by the open trade export-led growth strategy that led to the tremendous economic success of East Asian economies, followed by that of China until the Global Financial Crisis (GFC) of 2008.

Bangladesh took the leap of faith in export-led growth in the 1990s that produced both double digit export growth, and led to job creation, accelerated GDP growth and rapid poverty reduction. Soon the export-oriented readymade garment (RMG) industry evolved into the industrial icon of Bangladesh economy, based on the nation’s comparative advantage in cheap low-skilled labour, capturing a notable share of the global export market. In so doing, it has had the effect of opening up sectors inter-linked to the final export product, a process called backward linkage.

The rapid expansion of export-oriented primary textiles is a major development in Bangladesh’s economic landscape. A large industry has grown over the past three decades supplying intermediate inputs to the leading export sector of Bangladesh - readymade garments. This is clearly a new phenomenon in the Bangladesh economy - called "deemed exports" in local official jargon.

Backward linkage industries to the RMG sector is another popular way of describing this industrial development. They supply yarn, fabrics, and accessories to the RMG export industry comprised of knit and woven garments (Fig.1-2). RMG accounted for 84 per cent of the $40 billion exported in FY2019 (Fig.1). Over time, RMG has been relying less and less on imported inputs resulting in rising value addition based on domestic content (Table 1).

Typically, RMG firms import inputs under the system of back-to-back (BTB) which allows them to pay for imported inputs from export proceeds. Table 1 reveals that over the years a smaller proportion of RMG exports were being imported under BTB system, with the domestic vale added content rising from 32 per cent in FY92 to 60 per cent in FY2019. Increasing supplies from backward linkage industries made this possible.
**Foreign Exchange Operation Department, Bangladesh Bank. Amount of L/C Settlement under back to back import.**
The quantum of these domestic supplies is no longer insignificant as BKMEA representatives indicate knitwear exporters source some 80 per cent of their input of yarn from local textile producers. The number of yarn manufacturing mills have more than doubled, from 200 in 2000 to 433 in 2019, while spindle capacity has tripled to 13.5 billion kg of yarn (Table 2). Much of this growth could be attributed to the rapid expansion of knitwear exports which rose from $1.5 billion in FY2001 to $16.9 billion in FY2019 with somewhat lesser demand pull coming from woven RMG exports of $17.2 billion.

Woven garments still need to rely on imports of wide variety of fabrics though local production has made strong inroads into the export-oriented market. 800 fabric manufacturing mills produce 3.8 billion metres of fabric, which is processed for dyeing, printing, and finishing, for exports as well as domestic sales. Denim production is an entirely export-oriented activity. 60 per cent of the annual denim requirement of 840 million yards is supplied by 32 denim mills that have cropped up in the past 20 years or so. In addition, other cotton-based fabrics and those from man-made fibre (MMF) are increasingly catching up with demand to meet some 40-45 per cent of requirement by woven garment exporters.

Given these estimates of domestic content in RMG production that will bring domestic production of deemed textile exports to around $21+ billion, or 63 per cent of RMG exports, up from under 5 per cent when the RMG sector started its export journey in early 1980s. Back-to-back L/C settlement data from Bangladesh Bank also show B-T-B imports of RMG intermediate inputs are now down to 40 per cent of RMG exports, suggesting domestic value addition to have risen to 60 per cent of exports in FY2019. With all this happening, the structure of manufacturing sector is transforming. Together with RMG, well over half of Bangladesh's manufacturing sector is now geared to export production.

Data on production capacity of the Primary Textile Sector is also available from BTMA, also compiled by the US Department of Agriculture (USDA). In addition, assessments about the sector's size and input contribution come from broad brush judgments made by experienced BTMA leaders and some BGMEA/BKMEA members who are involved in RMG exports as well as running of composite mills (i.e., production of yarn to apparels in the same factory set up). All said, backward linkage or domestic content production geared towards RMG exports is now a major export-oriented manufacturing activity. It is time to treat this large industry as a thrust sector as much as RMG.
The backward linkage challenge starts with the RMG journey itself - early 1980s. True, the final stage of processing readymade garments was and still is a labour-intensive activity, quite in line with the source of Bangladesh’s comparative advantage. The onset of globalisation, fragmentation of production processes, and cross-border value chain integration, all of these made it possible for Bangladesh to take a leap of faith and embark on a journey of exporting readymade garments made up of largely imported yarn, fabrics, and accessories, which were imported duty-free under special bonded system. If produced competitively, market access was ensured by the Multi-Fibre Arrangement (MFA), an international agreement that limited textile exports from few developing countries while opening up scope for others.

That agreement could not have been more propitious for Bangladesh. Thus our first generation RMG entrepreneurs were among the early proponents of cross-border value chain integration, a phenomenon that became the fastest growing component of international trade in the past 25 years - trade in intermediate goods.

Yet, given the level of efficiency of our import-export clearance mechanism, issues related to lead time, and the enormous convenience of sourcing intermediate inputs locally, the backward linkage advantage was there to be exploited by another group of first generation entrepreneurs in the textile industry - the one geared to the export market, not the old-generation textile mills catering to domestic demand of basic clothing, under high protection from competing imports. Thus emerged an internationally competitive sub-sector of backward linkage industries whose size grew in proportion to the expansion of RMG exports. Once the wheels of backward linkage industries were set in motion, their expansion would only be limited by the size of its downstream industry, the $34 billion RMG industry.

So, over the past 25 years, the economy has generated another $21+ billion industry group whose contribution to the economy and jobs can no longer be ignored. This is no mean achievement, and can no longer be relegated to just a sideshow to RMG. It is a major success story in backward linkage, the evolution of a new internationally competitive textile industry, unlike the old textile sector that still caters to domestic demand for basic clothing but is not competitive enough to play the export card. What is notable is that this deemed export sector represents import substitution, exports, and export diversification, all rolled into one. Here is why.
First, the import substitution part. As the RMG industry grew from a $600 million industry in 1990 to the $34 billion industry now, the demand for imported yarn, fabrics, and accessories grew by leaps and bounds. It was a growing opportunity our entrepreneurs would not miss for the world. Textiles, the production of yarn and fabrics, is a relatively capital intensive industry. But they are part of the backward linkage industries' expansion with the sole objective of substituting for the massive amounts of imported yarn and fabrics, demanded as inputs by the $34 billion RMG sector. And to feed a globally competitive RMG sector with intermediate inputs means they have to be globally competitive too. This is import substitution at its best. We can describe the phenomenon in the following terms, "from import substitution to deemed exports".

In such a situation a dollar saved by import substitution is equivalent to a dollar earned through exports. If the entire import substituting backward linkage sector is saving say $21+ billion, it means we are importing $21+ billion less than what would have been imported by the RMG sector. Based on the report that Knit RMG uses 80 per cent local sourcing of yarn and fabrics, and Woven RMG uses 45 per cent local sourcing of fabrics, the percentage share of local content comes to 63 per cent, with 37 per cent of RMG exports relying on import content (Table 3). In the absence of these deemed exports, hypothetically, our imports in FY2019 would have been $80 billion instead of $60 billion. It is also possible to think of our complete export basket in terms of actual exports plus "deemed" exports, which then would have totalled $60 billion instead of $40 billion in FY2019.

Second, the export part. Quite logically "deemed" exports of yarn and fabrics (and accessories) are considered to be indirect exports, as they are exported as components of the final export product, knit or woven garments. They are "embedded" exports just like what international economists are now describing digital or IT services that are increasingly becoming sizable inputs into finished products that are traded across borders. Trade in these value added services is another rapidly growing component of international trade. Under this reformulation of trade in components of finished products, our deemed exports are nothing but exports. It is now time to think of them as the next largest export category, after RMG.

Third, the export diversification part. The need for export diversification is recognised by all and sundry, but progress has been slow, if any. Quite apart from the standard constraints to exports - viz., poor quality trade infrastructure, weak governance, high cost of doing business, etc. - PRI research has identified the fundamental policy conflict between high tariff
protection and export orientation. Non-RMG exporters, who produce for the domestic market as well as exports, lack the drive and enthusiasm for exports as the protected domestic market yields significantly higher profit margins than exporting activity. That is not to say that we lack competitiveness in export products other than RMG. PRI research found that of the 292 non-RMG products (at HS-6 digit), more than $1 million each that we exported in FY2019, 40 per cent were highly competitive with other exporting countries to the same destination markets. But, except for jute and jute goods, footwear and leather goods, and home textiles, there are hardly any other product showing promise of rapid growth. Somewhat less encouraging was the situation with the remaining 1100 HS-6 products (below $1 million) that we exported in the same year. Our conclusion: though potential comparative advantage exists for vast numbers of non-RMG and labour-intensive export products, the inherent policy conflict identified above makes export diversification a dead horse. Furthermore, these non-RMG exporters, most of whom are SME entrepreneurs, rarely get special bonded warehouse (SBW) facility for duty-free import of inputs. Without that facility, non-RMG exports are doomed to extinction in a high tariff regime.

But deemed export of primary textiles (yarn and fabrics) supplemented with garment accessories production is another matter. These are the principal inputs for the apparel industry. Success of RMG has driven this sector's rapid growth. Here is the rise of a non-RMG sector with indirect exports, but exports nevertheless.

We can call it export diversification of the Bangladesh kind. And this has come to stay as long as we have a share in the global apparel market. This export-oriented primary textile sector is now the predominant part of the textile industry. A much smaller domestic market (estimated by BTMA at $8 billion) is still catered to by the less competitive textile mills from old times that only survive under high tariff protection to meet local demand for basic clothing.

Arguably, a nascent export-oriented textile sector deserves policy support and protection. That justifies the support this sector has received from the government in terms of tax exemptions, subsidies, duty-free bonded imports, or concessional credit. To ensure sustainability and lasting competitiveness it is just as important to put some limits to the support measures, by making them time bound and performance based. Also note that cash subsidies to backward linkage industries will be regarded as "domestic content" subsidies by the WTO and will become prohibitive for
Bangladesh once it graduates out of LDC status in 2024. These are the plus and minus points to be reckoned with by all stakeholders in this dynamically growing and thriving sector.

To conclude, we have come a long way since the days when RMG exports used to raise the spectra of a highly import-intensive activity generating very little foreign exchange net of import content. The strategy of developing backward linkage to the dynamic RMG sector has produced results - another feather in the Bangladesh policy cap.

No longer can the primary textile sector be dismissed as a non-competitive domestic market-oriented industry. It is now predominantly an export-oriented sector with a smaller part dedicated to catering for domestic demand. This is import substitution par excellence based on comparative-advantage-following (CAF) approach of protection - that is, import substitution leading to export orientation. This is exactly the protection outcome trade economists have been looking for.


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Bangladesh: Trade ties with China to enter new stage, says Chinese Ambassador

Bangladesh can benefit hugely from the vast Chinese market as China's imports will exceed US$30 trillion in next 15 years

With annual GDP growth of more than 6% for many years, Bangladesh will remain one of the most dynamic economies in South Asia and the world, says China.

Bangladesh can benefit hugely from the vast Chinese market as China's imports will exceed US$30 trillion in next 15 years, says its ambassador Li Jiming in the capital on Tuesday.

"It will be a win-win cooperation for China and Bangladesh to fully explore China's import capability, catch up with the demand of the Chinese market, and strengthen bilateral trade," he added.
"It is estimated that in the next 15 years, China's imports will exceed $30 trillion. China's import will continue to maintain great potential, providing a strong guarantee for China's economic development and a huge market for high-quality products of Bangladesh," said the ambassador.

He said the continuous development of bilateral trade will also provide a solid foundation for the realization of Bangladesh's development visions such as "Sonar Bangla" and "Digital Bangladesh."

The ambassador also said deepening cooperation in bilateral trade between China and Bangladesh is an inevitable choice to benefit the national economies and livelihoods, enhance the friendship between the two countries and effectively respond to the outbreak of the pandemic.

Ambassador Jiming said with the implementation of 97% zero tariff treatment, Bangladesh-China economic and trade cooperation will definitely enter a significant new stage.

In 1975, when diplomatic relations were established, the bilateral trade volume between Bangladesh was only $3.06 million.

While in 2019, the volume reached $18.33 billion, a dramatic rise compared with that of the initial time, said Jiming.

At the same time, China has become the largest trading partner of Bangladesh, and Bangladesh the second largest trading partner of China in South Asia, he said.

The trade volume between the two countries has maintained a relatively high level of growth in the past five years, with a growing rate of 24.6%, highlighting the rapid development of economic cooperation between China and Bangladesh, said the ambassador.

Ambassador Jiming said China-Bangladesh economic cooperation has been further consolidated under the Belt and Road Initiative, where the two countries provide each other with goods and services of excellent quality and reasonable price, and truly bring a sense of gain to the two peoples.

**Trade affected by Covid-19**
According to statistics from China, the trade volume from January to April of 2020 between China and Bangladesh was $5.02 billion, 16% down compared with the same period last year.

The Chinese envoy said it is high time that the 97% zero tariff treatment come out, which will definitely help the trade between the two countries to recover from the Covid-19 trauma, and enhance export from Bangladesh to China to alleviate the trade imbalances.

Giving a positive economic outlook for Bangladesh, he said garment export industry is the biggest advantageous industry of Bangladesh, accounting for the majority of the country's exports.

In 2019, he said, China imported textile, clothing and accessories from Bangladesh amounting to $590 million, accounting for about 57% of the total import.

The export potential of Bangladesh lies in the need to develop manufacturing industry, break through the limitations of its own industrial structure, continuously improve the quality of export products and shift to higher value-added exports, Jiming said.

Over the past 40 years, he said, Bangladesh garment manufacturing industry has made great progress, and its export volume has increased significantly.

However, the Ambassador said, it still has great potential in terms of the types of export commodities, the improvement of production efficiency, the diversification of export commodities, the improvement of technical content of products and the transfer of products with higher added value.

In addition, Jiming said, Bangladesh is rich in agricultural products, livestock products, tropical fruits and seafood.

Source: dhakatribune.com– Jun 30, 2020
Bangladesh seeks duty free access to US market for RMG, more investment in health and ICT

In a telephone call with US Secretary of State Mike Pompeo on Monday, Bangladesh's Foreign Minister AK Abdul Momen said RMG workers, mainly women, have fallen into uncertainty as buyers from various countries -- including the US -- cancelled orders from Bangladesh.

Momen also requested the US to invest in Bangladesh's health sector under the US International Development Finance Corporation, as well as in economic zones, saying that Bangladesh wants to see diversification in foreign investment.

He said investment in Hi-Tech Parks and the ICT sector in Bangladesh will be profitable for the US due to availability of a skilled work force, according to a foreign ministry statement today.

During the conversation, Bangladesh and the United States renewed commitments to support the voluntary, safe, dignified, and sustainable return of the Rohingyas to Myanmar.

Momen emphasised on partnership and mutual cooperation as the Covid-19 pandemic puts the world into total uncertainty.

Pompeo stressed on the importance of transparency and access to information for long-term economic stability and sustainable development. He reaffirmed the importance of the Bangladesh-US relationship and discussed continued cooperation to address the Covid-19 pandemic.

He said the US provided more than $43 million in Covid-19 assistance, and stressed that the role of Bangladesh is critical in the international response to the pandemic by manufacturing emergency medical and protective supplies.

Source: dhakatribune.com– Jun 30, 2020
Fitch cuts India growth projection to 8% for FY22; economy to shrink by 5 pc this fiscal

Fitch Ratings on Tuesday cut India's growth forecast for 2021-22 fiscal to 8 per cent from 9.5 per cent projected last month. It, however, retained its projection of Indian economy contracting by 5 per cent in the current fiscal.

Indian economic growth stood at an estimated 4.2 per cent in 2019-20.

In its June update of Global Economic Outlook, Fitch projected Indian economy to grow 5.5 per cent in 2022-23.

"In India, where authorities imposed one of the most stringent lockdowns globally to try to halt the spread of the virus, measures are being relaxed only very gradually; with a limited policy easing response and ongoing financial sector fragilities, we have pared our 2021 forecast to 8 per cent from 9.5 per cent in the previous GEO," Fitch said.

In May update to the outlook, Fitch had projected 9.5 per cent growth in 2021-22.

S&P has forecast a 5 per cent contraction in the fiscal year starting April, and the growth to recover to 8.5 per cent next fiscal.

Moody's expects India's real GDP to contract by 4 per cent in fiscal 2020 due to the shock from the coronavirus pandemic and related lockdown measures, followed by 8.7 per cent growth in fiscal 2021 and closer to 6 per cent thereafter.

Source: economictimes.com– Jun 30, 2020
How India can become one of key nodes in global manufacturing value chain

There are times when you need to adjust to a disruptive environment. At other times, disruptions need to be met head-on, with your own brand of change. The Covid-19 pandemic has exposed the fault lines in global trade and its financial roadmap, dislocating global manufacturing value chains, almost irrevocably. This sudden disruption has raised a fervent clamour to diversify the existing global supply chain. For India, this presents a tremendous opportunity to enter the $1-trillion global manufacturing club.

Resiliency will be the key focus going forward—cost-efficiency will not be the only consideration while designing global supply chains. The Covid-19 pandemic will further accelerate movement of exports away from China, as companies will have to think about a China-plus-one strategy. India could indeed become one of the key nodes in the global manufacturing value chain.

Of the total world exports worth $19 trillion in 2019, China contributes 13.3% while India’s share is a minuscule 1.7%.

Depolarisation presents an opportunity for India to become a $1-trillion manufacturing gross value add (GVA) by 2025 by being an alternative to China in the world exports basket and indigenisation of supply chains for domestic consumption.

India to take on this gauntlet!

India, with its current manufacturing scale, is perfectly poised to take on this gauntlet. We have a sizeable manufacturing GVA contributing 15% to the GDP. India’s large productive workforce, competitive cost of operations and adapting to new technologies puts the country in a very good stead.
India further needs to build its critical logistics infrastructure like highways, ports, airports, etc, in order to become the alternate manufacturing destination for the world.

India has also gained advantage over China in the past decade, due to China’s rising wages, a tightly controlled currency, and increasing costs due to environment health and safety (EHS) regulations. Between 2008 and 2019, average wages in India grew by 5% CAGR, while in China wages went up by 11%. The rupee depreciated by 6.3% against the US dollar during the last two years, while the Chinese yuan’s depreciation against the dollar was only 1.8% in the corresponding period, thus making Indian exports more competitive than China.

Over the past couple of years, certain sectors in India including electronics, chemicals, industrial machinery and plastics are already showing a strong export growth. Through 2017-19, export of electrical parts and electronics grew by 29%, and export of chemicals grew by 14%, from India. We believe that electrical & electronics, automotive parts, chemical and pharmaceuticals will benefit with the first wave of supply chains shifting into India.

**Advantage India**

The positive impact of ‘India advantage’ has already started to show in our exports growth across several sectors such as chemicals, electricals, industrial machinery and plastics. Moreover, US tariffs on China resulted in India gaining $755 million in additional exports to the US, in the first half of 2019.

At the same time, China’s cost advantage is declining. For example, difference in cost of manufacturing of chemicals between China and India is currently less than 5%. Samsung closed its three-decade-old factory in China and shifted operations to build its world’s largest mobile factory in Noida in India, which enabled the Korean manufacturer to double its production capacity of mobile phones to 120 million units per year.

As a ‘global preferred exporter’ of manufacturing goods, India has a clear $200-250 billion opportunity. New export opportunities in electronics, vehicles and vehicle parts, chemicals and pharmaceuticals are just waiting to be grabbed. By 2025, India can more than double their exports to the US as an alternate to China—the $60-80 billion export opportunity is wide open for Indian enterprises from the US itself.
Indigenisation of supply chain leading to imports substitution presents another $50-70 billion opportunity. Indian manufacturers will also need to localise their supplier base and reduce import dependence on China. Electronics, apparel & textiles, automotive and chemical sectors will greatly benefit from localisation and offer new export opportunities. Add these to the $400-billion manufacturing GVA in 2019 along with inherent manufacturing growth and we can indeed take our manufacturing GVA to $1 trillion, thus accelerating our journey towards the ‘Make in India’ vision (see graphics).

The must-do imperatives

In a recent survey conducted by Bain & Company with global chemical manufacturers, two-thirds have started board discussions to consider diversifying their supply chains from China, but switching to India is not a certainty. For that to happen, India’s private sector needs to identify, on priority, winnable business segments where the scope of localisation and new export opportunities exists. They will also need to develop a local supplier ecosystem and build in-house capabilities. Additionally, the ecosystem to support these manufacturing needs will also have to be expedited urgently.

The government has its task cut out. Policies pertaining to land acquisition to avoid delays, further reforms on taxes, financial incentives to ease liquidity headaches for entrepreneurs are crucial at this stage. The manufacturing sector will need to attract investment, and foster innovation. And most of all, strict enforcement of anti-dumping duties on cheap imports is a must.

Thus, in the post-Covid-19 era, we need to set up two national missions—one to reduce process friction points for inward investment, and another to enhance our transnational trade. Or else the trillion-dollar opportunity will go abegging!

Source: financialexpress.com— Jun 30, 2020

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Global supply chain to witness shift, low imports from China will benefit: Raymond

Homegrown textiles and apparels major Raymond expects to reap the benefits of likely low imports from China in view of the COVID-19 pandemic, the company said in a statement on Tuesday.

It is also looking at long-term funding and alternate working capital availability to manage liquidity as business restarts with gradual easing of lockdown.

Disclosing its current status of operations post lockdown, the company said commodity prices have softened due to the pandemic. This would lower the input costs and support the overall profitability this fiscal.

“Easing of commodity prices such as of cotton and wool are likely to benefit the company going forward along with softened oil prices,” it said.

Referring to expected low imports from China in the present scenario, Raymond said it "is expected to reap benefits of low imports from China as global supply chain will witness a shift. The company expects the exports to resume soon with opening up of global economies."

Raymond also said it has undertaken cost rationalisation and control measures related to “manpower, sales and marketing, rentals and others to minimise the impact on business”.

On resumption of business, Raymond said gradual reopening began from lockdown 3.0 onwards, wherein the government permitted sale of certain nonessential items in specified geographies.

Currently, 1,332 stores have reopened adhering to all COVID-19 related guidelines for employees and customers, it added.

Commenting on its liquidity position, Raymond said it is taking all requisite measures to manage liquidity that includes cost reduction, fund management and focus on collections.

The company is looking at all available options that include long term funding and alternate working capital availability to manage liquidity in the current situation, it added.
The company is in the process of taking steps to issue non convertible debentures (NCDs) that would support the rebalancing of its debt mix favouring long-term debt, it said adding that in June quarter of 2020-21, the company has raised Rs 145 crore through NCDs at market benchmarked rates.

"In line with the prevailing market conditions and unprecedented challenges, the company has undertaken the process of cost rationalisation & various cost control measures related to manpower, sales and marketing, rentals and others to minimise the impact on business," the company said.

On operations of manufacturing plants, Raymond said its suiting and shirting fabric manufacturing units continue to remain shut due to subdued demand.

“Production planning and reopening of plants in a phased manner is under evaluation,” it said.

The company's garmenting facilities and tools, hardware and auto components segments have partially resumed operations, it added.

On Monday, Raymond declared its quarterly and annual results ended March 31, 2020.

Raymond reported a consolidated net loss of Rs 69.10 crore for January-March 2020 impacted by COVID-19 and the lockdown.

Revenue from operations was down 29.30 per cent to Rs 1,278.65 crore during the quarter under review as against Rs 1,808.71 crore in the corresponding period of the previous fiscal.

Source: economictimes.com– Jun 30, 2020

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Rupee depreciation to help boost Indian farm, textile and jewellery exports

A depreciating rupee is set to improve India’s competitiveness in the world market and thus help boost exports of agricultural products, textiles and gems and jewellery, experts say.

The rupee has depreciated 6 per cent in the first half of the ongoing calendar year to trade at 75.51 a dollar (as of Tuesday), as against 71.38 on January 1. In fact, the rupee had slid to 76.21 on June 16, but recovered following the Reserve Bank of India’s (RBI’s) intervention.

With the Indian economy projected to contract this year, the rupee may slip to even 80 a dollar, according to experts. For several products like textiles, India is operating at a thin margin of 2-3 per cent, and hence, a 6 per cent depreciation in the rupee makes a big difference. “The three-month range of USD/INR is 75.50-77.50 and the six-month range is 74 - 80,” said IFA Global in its latest report.

This means the rupee has room to depreciate by another 6 per cent in the second half of the current calendar year.

The Agricultural and Processed Food Product Export Development Authority (Apeda) reported India’s exports of agriculture, allied and processed food items to the tune of $35.1 billion in FY20, as against $38.5 billion in the previous year. India’s agriculture exports had hit a record high $42.8 billion in FY14.

Apeda-registered products comprise around 50 per cent of India’s overall agricultural exports. “In basmati rice exports, we benefit from rupee depreciation... It boosts receivables for exported goods and those in the pipeline,” said Gurnam Arora, joint managing director, Kohinoor Foods, the producer of the Kohinoor brand basmati rice.
Ujjwal Lahoti, chairman of Lahoti Overseas, a Mumbai-based manufacturer and exporter of kidswear, believes that the rupee depreciation will help improve India’s competitiveness in the world market and increase export of textiles.

There is another issue, which may have to be seen in the context of rupee depreciation.

In many areas, India has been the world leader, especially in commodities like basmati rice, guar gum and buffalo meat. India faces a tough competition from other countries in the export of cotton, soybean, sugar, non-basmati rice, textiles, and gems and jewellery, for which a depreciating rupee is positive.

For gems and jewellery, around 95 per cent of the value of ornaments comes from raw materials, which are generally imported into India. Hence, the value addition component of a mere 5 per cent of the worth of goods proves a real differentiator.

“Rupee depreciation definitely helps. But we need to see in the context of movement in the currency of the country we are competing with. For example, if we consider Brazil as our competitor, its currency the ‘real’ has depreciated more than the ‘rupee’.

Also, Turkish lira, the British pound, and Indonesia’s rupiah have depreciated sharply. In such a scenario, gains from a depreciating rupee get nullified,” said Ajay Sahai, director-general, Federation of Indian Export Organisation (FIEO).

“For marine products, Vietnam avails 6 per cent duty benefit in Europe due to the free trade agreement (FTA) signed between them. So, rupee depreciation to would certainly benefit India in marine exports to the European Union,” added Sahai.

Source: business-standard.com—July 01, 2020
India records marginal surplus on current account in January-March on lower trade deficit

India recorded a current account surplus of USD 0.6 billion or 0.1 per cent of GDP for the January-March quarter against a deficit of USD 4.6 billion or 0.7 per cent of GDP in the year-ago period, the Reserve Bank said on Tuesday.

For the fiscal year 2019-20, the current account deficit narrowed to 0.9 per cent of the GDP compared to 2.1 per cent in FY2018-19, the central bank said. Lower trade deficit was one of the prime reasons for the improvement in the current account balances both for the March quarter as well as for the whole fiscal year.

The current account balances, which represents the net of the country’s export and imports of goods and services and also payments made to foreign investors or inflows from them, are considered as an important indicator of a country’s external sector.

The Reserve Bank said the surplus in the current account in the March quarter was primarily on account of a lower trade deficit at USD 35 billion and a sharp rise in net invisible receipts at USD 35.6 billion as compared with the corresponding period of last year.

The net services receipts increased to USD 22 billion in March quarter as against the year-ago’s USD 21.3 billion on the back of a rise in net earnings from computer and travel services on a year-on-year basis, the RBI said. Private transfer receipts, mainly representing remittances by Indians employed overseas, increased 14.8 per cent to USD 20.6 billion for the reporting quarter, the RBI said.

The net outgo from the primary income account, which primarily reflects the net overseas investment income payments, decreased to USD 4.8 billion from USD 6.9 billion a year ago, the central bank said.

The net foreign direct investment nearly doubled to USD 12 billion for the March quarter as against the USD 6.4 billion in the year-ago period, while foreign portfolio investments (FPIs) declined by USD 13.7 billion during the three month period as against an increase of USD 9.4 billion in the year-ago period.
GST 3.0 can prove to be a harbinger of growth and revival

Moving further towards a simplified and technology-enabled robust GST system is not only critical for sustainable growth but also imperative for ease of doing business

It has been three years since the Goods and Services Tax (GST), India’s biggest tax reform, was introduced on July 1, 2017. Since then, it has been a roller-coaster ride for the government, for industries and consumers due to this transformational law, which replaced a fragmented State and Central based law on indirect tax.

This was coupled with changes and reforms, primarily focussed on rationalising rates, simplifying procedures, and curbing tax evasion. Additionally, we have also witnessed stabilisation of one of the world’s biggest online tax compliance system — the GSTN.

As we celebrate the third anniversary of India’s biggest tax reform since Independence, and talk about the focus areas for the future, let us also rewind and glance at some of the critical milestones achieved during the past three years.

Increase in tax base: From over 64 lakh taxpayers migrating into GST regime, India had about 1.23 crore active GST registrations as on March 31, 2020. This growth indicates a significant increase in tax base and a change in taxpayers’ compliance behaviour.

Rate rationalisation: With frequent changes in tax rates, the government continued to focus on rationalising GST rates. On July 1, 2017, around 19 per cent items were under the 28 per cent GST rate bracket, which is now down to only around 3 per cent. Also, about 50 per cent items are in the 18 per cent bracket, 21 per cent face 12 per cent tax, and 25 per cent of items are subject to 5 per cent GST.

Introduction of e-way bill system: Introduction and stabilisation of the e-way bill system was also a major step taken in the right direction. By enabling some 56 crore e-way bills generation in FY19 and around 63 crore
during FY20, the system has been largely streamlined and has enabled hassle-free movement of goods across States.

**Legislative amendments and clarifications**: From its original shape and form as on July 1, 2017, the GST law has undergone significant changes. With almost 700 notifications, 145 circulars, and over 30 orders, significant changes have been made to address taxpayers’ demands, to carry out procedural simplifications and curb tax evasion.

The above statistics are encouraging and show the right intent of the government towards further simplifying the GST law. We shall now proceed to discuss the key challenges faced during these years, which industry hopes will be addressed by the government.

**GST policy**

**Restrictions** on the transitioning of pre-GST credits has resulted in multiple litigations

**Non-issuance** of clear-cut guidelines related to anti-profiteering law has created confusion and fear in the industry, particularly with those dealing in consumer goods

**Issues around** “deemed supply” transactions amongst branches in country and related-party transactions in the country and cross border

**Blockage** of input tax credits (ITCs) and limited ability to seek refund — that is,, only on exports and inverted duty structure of goods

**Denial** of input tax credit on the construction and setting up of related capital expenditure

**Mandatory registration** for sellers on e-commerce platforms and impact on working capital for these sellers on account of TCS

**Procedural issues**

**Blocking of** input tax credit by authorities in GSTN system due to non-reconciliation

**Complex return** filing process and issues related to functioning of the GST network system
Ambiguity over jurisdictions, particularly on tax audits and investigations

Investigation authorities commencing detailed audits in some cases

The aforementioned challenges coupled with the impact of Covid-19 have not only affected large companies but also liquidity of MSMEs. Additionally, due to lack of resources, MSMEs are also not able to do their regular compliance. In view of these, the following are some of the suggestions which the government may consider to improve liquidity as well as simplify compliance:

Improving liquidity

Allow refund of accumulated GST credit due to inverted duty structure, triggered by input services as well

Permit payment of IGST on import of goods and services, using accumulated input tax credits

Make input tax credit of CGST fungible across States

Allow transfer of GST credit, as scrips

Allow refund of GST paid on capital goods to exporters

Easing compliance

Extension in the timelines for mandatory input tax credit reconciliation for taking ITC beyond September

Relaxation in the timeline of 180 days provided under Section 16 for taking input tax credit

A world-class, simplified, and technology-enabled robust GST system is not only critical for sustainable growth, but also imperative for the ease of doing business. In the next few years, the government may take steps to further simplify the GST law. These steps can prove to be a harbinger of growth at a time when the entire world is affected by the Covid pandemic.

Implementing e-invoicing and new returns, rationalising GST rates, reducing litigations related to transitional credits, centralising advance ruling authority, having a single jurisdiction for audits and investigations,
and strengthening the GSTN system would be the key areas to watch out for in the near future.

Source: thehindubusinessline.com– Jun 30, 2020

Ministry launches online portal for MSME registration

The Ministry of Micro, Small and Medium Enterprises (MSMEs) on Tuesday launched a new portal for MSME registration. The new process of classification and registration of enterprises starts on July 1.

“The MSME registration process is fully online, paperless and based on self-declaration. No documents or proof are required to be uploaded for registering an MSME,” said an official release. The portal guides entrepreneurs step by step as to what they should know and what they should do.

After completion of the registration process, an ‘Udyam Registration’ Certificate will be issued. This certificate will have a dynamic QR Code from which the webpage on the portal and details about the enterprise can be accessed, the release added.

The Ministry also clarified that except this portal (www.udyamregistration.gov.in) and the government’s Single Window Facilitation System, no other private online or offline system, service, agency or person is authorised or entitled to do MSME registration or undertake any activity related to the process.

“No enterprise is supposed to file for more than one Udyam Registration. However, any number of activities including manufacturing or service or both may be specified or added in one registration,” the official release added.

The registration process is free.

Source: thehindubusinessline.com– Jun 30, 2020
Exporters seek fast clearance of imports of intermediates from China at all ports

Exempting imports of manufacturers from 100% checks being discussed

Exporters have asked the Centre to allow consignments imported from China by manufacturing units to leave the ports without 100 per cent inspection, as these are inputs that go into producing final products and delays would lead to losses and give a further blow to units already suffering due to Covid-19 disruptions.

“Exporters are discussing the matter of exempting imports by manufacturing companies from checks, with the Commerce and Industry Ministry and the Finance Ministry. Hopefully, the Revenue Department will be convinced to take appropriate steps.

Some big Chinese companies have already been given clearance, we have learnt, and so extending the same to consignments imported by manufacturers should not be difficult,” a Delhi-based exporter of electronic items who imports components from China told BusinessLine.

The Customs Department has been holding up import consignments from China, since last week, for 100 per cent checks following the border conflict with the neighbouring country.

Although there has been no formal order from the government, the idea could be to discourage imports from China. However, exporters are sure that the government would not want to hold up the import of raw materials and intermediates as they go into manufacture of finished products.

“We would have loved it if we could differentiate between imported raw material, intermediate and finished products. But that would be a herculean exercise.

However, it is obvious that manufacturers are not importing finished products. So, they can be exempted. Our discussions with the government are on,” said Ajay Sahai, Director-General, Federation of Indian Export Organisations.

Benefit for all - While the government is considering allowing fast clearance of imported consignments by authorised economic operators that
will cover about 3,000 companies, exporters want all manufacturers to be extended the benefit.

The Textiles Ministry, too, is in talks with the Revenue Department to see how the problems being faced by exporters of apparels and textiles — due to imports from China being held up at Indian ports — could be sorted out.

“We have approached the Textiles Ministry to take up the issue of speedy clearance of inputs imported by the apparels and textiles industry from China, as a large number of shipments of fabrics and accessories are awaiting clearance at ports.

We had been given to understand that the matter will be sorted out by the middle of this week, but we are not sure,” said A Sakthivel, Chairman, Apparel Export Promotion Council (AEPC).

AEPC had earlier written to CBIC (Central Board of Indirect Taxes and Customs) Chairman Ajit Kumar, pointing out that the delay in clearing consignments was affecting factory operations as inputs were held up at ports across the country including Mumbai, Delhi, Chennai, Bengaluru, Kolkata and Tuticorin, and exporters feared they would fail to meet their delivery schedules.

Source: thehindubusinessline.com – Jun 30, 2020

Being e-commerce portal, not app, helps Chinese tech giant Alibaba evade India’s digital strike

E-commerce portals like Chinese tech giant Alibaba have escaped India’s digital strike against 59 apps amid heightened tensions on the Ladakh border.

However, the Alibaba-backed e-commerce app UCWeb has been included in the list of banned Chinese apps in India.

Alibaba’s B2B platform, alibaba.com, which started its operations in India in 2008, has millions of registered buyers and sellers across the country. According to the company’s analyses, India ranks second in the top-20 buyer distribution list and first in the top-10 global seller distribution.
Currently, Alibaba.com operates with a global network of 150 million registered users, connecting Indian SMEs with buyers across the world. The top three categories of trade business in India via Alibaba.com include Gems and Jewellery, Textiles and Apparel, Beauty and Personal Care.

“Our key focus is to introduce Indian merchants to the world. We are bringing products from Indian SMEs on our platform to consumers not only in India but in China and then SE Asia. We want to give access to some of the best and unique product and content to users globally,” the tech behemoth said in a statement.

Alibaba’s another e-commerce portal, AliExpress.com has not been included in the list of banned apps even as the platform was earlier accused of evading custom duties by labeling the products shipped to India as gifts and declaring their prices way below than the average rate.

Earlier, genuine gifts when imported to India within the price range of Rs 5,000 are exempted from taxes/ duties. However, last year, the government put prohibitions on the custom-free import of gifts, including those ordered from e-commerce portals based out of the country.

Interestingly, the other popular e-commerce portals, Shein and Club Factory which have been banned in India were also charged with similar offences and have lost millions of registered users and their Google downloads have dropped by 90% since the Indian government’s April Press Note 3, 2020 asking the companies based out of countries with which it shares a border to seek regulatory approval for FDI.

Source: newindianexpress.com– Jun 30, 2020
Should regulations hinge on business size?

Currently, they are based on nature of business and follow a one-size-fits-all model. Such an approach hurts smaller players.

Size matters but small is also beautiful. In the context of business this statement rings a bell in all management classrooms. Indian businesses have grown and evolved by starting small and taking all the baby steps required in the days of licence quota Raj. Post 1991, the corporate sector leapfrogged into a different orbit of growth and provided the platform for both the manufacturing and services sectors to make a mark in India and in the global arena.

The Indian regulatory framework had to keep pace with this frenetic pace of activity and despite facing criticisms of being reactive in nature, they have managed to hold their own considering all the odds. Regulations that exist now are designed on the basis of nature of business and largely catering to a one-size-fits-all approach.

The new normal which stares at our face is posing the question: Should regulations be on the basis of size? This question is more relevant now in the context of the present crisis, where smaller players are bearing the brunt more than the larger players.

Manufacturing

The core strength of our progress is manufacturing, which constitutes around 15 per cent of our GDP. Players in this sector can be large/medium/small. For convenience, we can take small to represent the MSME sector. It is a given that without the MSME sector, the large players cannot flourish.

There are 63 million MSMEs in this country employing 124 million people. The bane of the MSME sector is the absence of long-term equity, crippling effect of debt overhang and increased cost of compliance. Some of these are addressed in the recent stimulus package.

All companies have to deal with multiple regulations irrespective of their size. However, larger companies have the necessary internal fire-power and wherewithal to deal with increased cost of compliance which, in today’s context, includes dealing with increased cost of litigation.
But the MSME sector cannot handle these multiple regulators on a regular basis. It needs support not only in funding but also relief from the clutches of too many regulators. There must be a different set of regulations both at the Centre and State levels which are simple and less burdensome to comply.

It is a pity that bulk of the time of those running MSMEs is spent either at the doorstep of banks or in the corridors of government offices. The regulatory system should be so designed that all compliances can be carried out online and the sector should focus on producing the right products and selling them at the right price.

**Banks and NBFCs**

A mirror image of the size issue discussed above relates to banks and NBFCs. There are large, medium, small banks. The largest bank, SBI, has an asset size of around ₹37.49-lakh crore, and one of the smallest, Dhanalaxmi Bank, has an asset size of about ₹12,000 crore.

The Banking Regulations Act applies uniformly to all banks irrespective of the size. A significant aspect is that the regulations are so rigorous that non-compliance is severely dealt with. The problem of NPAs (non-performing assets) is a separate issue altogether and has nothing to do with the efficacy of regulations.

The story of NBFCs is also evolving on the same lines as banks. There are large, medium and small NBFCs as also several financiers in the unorganised sector. Just like the MSME sector, the smaller players are bearing the brunt of excessive regulations, thereby hampering growth opportunities.

NBFCs are essentially divided under three categories — nature of activity, size, and whether they are deposit-taking or not. They are classified as systemically and non-systemically important.

The regulations prescribed by the RBI — in the form of capital adequacy norms, prudential norms, fair practices code, KYC norms and other corporate governance norms — are to be complied with by all NBFCs accepting public deposits (irrespective of the value of total assets held) and the non-deposit taking systemically important NBFCs.
Moreover, in the aftermath of IL&FS crisis, the RBI, in November 2019, came out with a framework to revise the existing guidelines on liquidity risk management making it applicable for all NBFCs with an asset size of ₹100 crore and above and all deposit-taking NBFCs irrespective of the asset size. With most regulations relating to banks and NBFCs converging it is time to seriously consider large NBFCs over ₹10,000 crore to be part of Banking Regulations Act rather than NBFC regulations, with the necessary changes in their business model.

The protection of the Banking Regulation Act will ensure that all large NBFCs get the required benefits of a bank which are not currently available to them. They are systemically important, and investors and depositors will be well-protected if they are under the supervisory system of Banking Regulations Act.

In effect, large NBFCs should be converted into a separate category of banks. Smaller NBFCs should conduct business with minimum burden of regulations and this should be applicable for NBFCs with asset size of less than ₹500 crore provided they do not accept public deposits.

For this category, prudential norms, income recognition standards, etc., should be dispensed with. Further, the 90-day NPA norm should not apply to such smaller NBFCs. The present stimulus package should consider providing long-term equity to smaller NBFCs that are starved of long-term funding. In other words, for NBFCs with asset size between ₹500 crore and ₹10,000 crores, all the NBFC regulations should apply.

**Way forward**

As we start from virtually a clean slate post-Covid, we should reorient our approach to regulations based on size and not on activity alone. Small players have a significant role to play in the new phase of growth. By design or otherwise we are now forced to bucket the MSME sector with the smaller NBFCs, since the latter has to provide the much-needed loans to the former.

The Fund of Fund equity scheme announced recently should have a dedicated window for small NBFCs also, since it will anyway find its way to the MSME sector. The idea propounded above is not to fragment businesses based on size but only to advocate flexibility in regulations so that the smaller players bestow all energy for doing business. It should not be a case
of saying: ‘We are complying with all laws and regulations and time permitting we also manufacture, sell and also provide finance.’

Source: thehindubusinessline.com– Jun 30, 2020

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**Working from home increases export demand for night wear**

As people prefer to work from home in their pajamas, garment makers have reported good demand for night wear the world over. Similarly, demand for inner wear and kids wear as children have outgrown their clothes during the lockdown period, even as fast fashion clothes have taken a beating.

Though overall textile market demand is still sluggish, Indian knitwear exporters have received advance payments from European buyers to replenish their stocks of the basic clothing.

Demand for daily essential clothing is more from Europe, which has opened up for a long time. “There is very good export demand for kids wear, night wear and inner wear. The retail stores are running low on stock. Demand for fast fashion clothes is still sluggish,” said Ashok Arul, CMO, SCM Garments, an exporter to leading retail stores of Europe and US.

In the domestic markets, even when the malls are closed, the unorganised sector retail is driving demand for kids wear and night wear.

Krishna Kumar, managing director, Shine Textile from Thirupur said, “The demand for basic T-shirts, night wear and kids wear is good, especially in tier-II and tier-III towns, from the unorganised sector and street side vendors. We have also started getting some export orders for winter wear. However, we are scared to confirm the orders as Covid-related uncertainty can adversely affect lifting of the goods.”

Tirupur in Tamil Nadu, which exported knitted garments worth about Rs 30,000 crore the previous fiscal, has started getting good export business. Raja Shanmugam, president, Tirupur Exporters Association (TEA) said, "Post Covid, across the world, there is more demand for night wear, children wear and inner wear."
The sudden surge in the demand is because the retail stores have sold their stocks. In domestic markets too, during the last one month, there is good demand for these categories of clothes and many units are even running against orders and advances."

However, the overall demand in the textile industry remains sluggish. A Confederation of Indian Textile Industry (CITI) survey highlighted lack of demand is the main concern of the textile industry in the present circumstances.

"The demand for made ups is mainly export driven. Today, it is not labour but lack of demand, that is the main problem being faced by textile value chain industry," said Mridula Ramesh, executive director, Sundaram Textile and member CITI, an exporter to leading retail stores of Europe and US.

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Source: economictimes.com– Jun 30, 2020

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Chinese blockade: T-Shirts await buttons, shorts zippers in Tirupur

T-Shirts without buttons, shorts without zippers. This is the peculiar situation garment exporters in Tirupur are pushed to, unwittingly, as customs officials sit on Chinese consignments containing millions of zippers, buttons and embroidery accessories without clearing them.

India has intensified an economic blockade “unofficially”, aimed at hurting Chinese businesses as it pushes Indian businesses to source parts and components locally after 20 soldiers were killed by Chinese troops in Galwan valley mid-June.

“We have not been able to get customs clearance for nearly 20 days. We have run out of materials to complete the garment. The operations are managed by just-in-time inventory,’ said Raja M Shanmugham, President, Tirupur Exporters Association (TEA), the apex body of garment exporters of Tirupur. Nearly 90% of Tirupur’s accessory requirements are from China.

“It is reached a panic situation, because of this mindless act. Payments for these goods have already been made and they are lying in Bengaluru and Chenani airport customs, besides at Chennai Port. No official has an answer,” Shanmugham said.

His firm, Warsaw International is waiting for Bengaluru Airport customs to clear buttons and badges for him to complete his pending orders. TEA has shot off letters to union ministers of commerce and industry and also union finance minister seeking their immediate intervention.

“At present we can make T-Shirts without buttons and shorts without zippers and ladies inner wear without embroidery,” an exporter quipped. “My clearing agent in Chennai has stopped picking up my calls,” said Amit
Hurkat, Kanta Innovations, importers of garment accessories including zippers, buttons and embroidery badges. His 25 clients are waiting for these buttons to finish their orders. “It is not just knitwear that is getting impacted, even manufacture of PPE kits is affected,” Hurkat added. Two shipments, one in Chennai port, should have reached him in Tirupur 10 days ago, while the second is still in high seas heading to Chennai port.

“Covid killed orders early on and now when we are looking for something to cling on to, this blockade has erupted. This will suck whatever little is left in us,” he said. Its not just exporters who are wits end. Even PPE makers are stuck.

“We imported some cutters through Fedex. Its is in Bengaluru airport waiting to be cleared. Without those cutters we cannot operate the machine which makes PPEs. This is terrible,” said R Shanmuga Nathan, Innovative India Private Ltd. With nearly six lakh workers, Tirupur knits nearly Rs 55,000 crore worth garments for both domestic market and exports.

Source: timesofindia.com– Jul 01, 2020

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Making trade more digitised

While different interventions have positively developed the port ecosystem, there are still gaps that need to be bridged

India’s exports in April 2020 contracted by 60% year-on-year. There was a 37% fall in the twenty-foot equivalent units handled by the Jawaharlal Nehru Port in April 2020 as compared to April 2019.

The steep decline in world trade lays bare the significance of a more digitised trading environment, with minimal manual touch points.

With the pandemic, the slump in international trade is unpredictable. As countries slowly emerge out of this, new demand and supply chains will form, that will be located in countries that re-orient their existing trade structures.
Upgradation, digitisation, automation

Globally, digitisation of procedures and lower human intervention are the two major pillars that drive trade across borders. Post India’s ratification of the Trade Facilitation Agreement of the World Trade Organization in April 2016, reforms focused on infrastructural upgradation, digitisation and automation. Schemes such as Direct Port Entry and Direct Port Delivery, and the Radio Frequency Identification system and Single Window Interface for Facilitating Trade, were all aimed at reducing the time and cost of clearance of goods. The Port Community System was aimed at seamlessly integrating all maritime trade-related stakeholders on a single platform. And e-SANCHIT (e-Storage and computerised handling of indirect tax documents) was aimed at reducing human intervention.

These and other interventions speak of the government’s focus on effective logistics and smooth export-import (EXIM) procedures at Indian borders. This resulted in continuous improvement in India’s Ease of Doing Business ranking, particularly in the ‘trading across borders’ parameter on which it ranked 68 in 2020. With the current crisis, ports across India demand a greater leap in trade facilitation measures to expedite the movement, release and clearance of goods.

While different interventions of the government have positively developed the port ecosystem, there are still some gaps that need to be bridged. These are particularly with respect to the standardisation and coordination of processes across ports, and awareness and acceptability of new initiatives among the users which depends on the adaptability and ease of linkage between multiple systems.

Gaps to be filled

Some of the delay in moving to a paperless trade ecosystem can be attributed to gaps in the effective implementation of digital platforms. First, shortcomings in the functionality of the system and technical glitches result in limited use of the system or parallel use of hard copy.

For example, the absence of a shipping line delivery order in customs and terminal systems results in usage of hard copy for cargo movement. Second, lack of connectivity/message exchanges between different stakeholders’ systems results in delayed cargo clearance. Third, there are many issues with respect to training and capacity building amongst the users, restricting the optimal utilisation of digital platforms.
Like in the rest of the world, in India too the operations of multiple stakeholders in the logistics and trade ecosystem including customs brokers, shipping lines, freight forwarders, transport operators, port custodians, container freight stations and border management authorities have been restricted. This indicates the need to further augment the digital infrastructure in the trade ecosystem. With trade volumes contracting and economic indicators shrinking, the present crisis presents an opportunity to develop new systems and enhance existing platforms while at the same time changing the attitude of stakeholders on the ground.

In the last two months, different guidelines have been issued by the government, focusing on measures to facilitate and expedite the clearance process so that it is more automated, online and paperless. While some immediate steps are needed to survive the crisis, it is imperative to work on a permanent road map which addresses some of the gaps highlighted.

Enhanced integration of systems and coordination between them should ideally result in exchange of messages and sharing of input data between them on a real-time basis. Promoting use of a multi-stakeholder single platform like the Port Community System can streamline EXIM procedures, moving towards a digitally engaged and enhanced trading environment.

These efforts will be instrumental towards improving India’s trading ecosystem and achieving the desired target of Ease of Doing Business (ranking under 50) set by the Prime Minister’s Office. The more digitised our trade facilitation infrastructure, the more immune we will be to future disruptions.

Source: thehindu.com– Jul 01, 2020
‘India and Bangladesh should now look at trade in services instead of just trade in goods’

Wishing Bangladesh on Mujib Barsho, Minister of State for External Affairs V Muraleedharan on Monday said that India and Bangladesh should look now at the trade in the services instead of just trade in goods.

“As we celebrate Mujib Barsho this year and the 50th year of liberation of Bangladesh as well as the establishment of diplomatic relations next year, we must do all that it takes to ensure that values that we fought and stood for remain cherished,” Muraleedharan said during a digital conference on ‘Doing Business with Bangladesh’.

He said that India and Bangladesh have scripted a ‘Shonali Adhyaya’ -- a golden chapter -- in their partnership, under the visionary leadership of Prime Minister Narendra Modi and Prime Minister Sheikh Hasina.

“As we are also looking at creating a new economic partnership for the future, there are opportunities to go beyond trade in goods and look at the trade in services,” he said.

He further said, “As India and Bangladesh share the largest border, we need to focus on the socio-economic development of bordering districts on both sides. Sometimes for want of opportunities available, we have criminal elements committing crimes, attacking security forces and disturbing the peace and harmony that exists between our two countries. There is an urgent need to focus on the development of these areas and therefore haats spread along the border is a welcome development. In the same spirit, we should cooperate on developmental works that get undertaken on either side of the border.”

Speaking on India’s role in Bangladesh’s “Made in Bangladesh” brand, he said, “We see Bangladesh as a partner in the value chain. India will continue to be a reliable and efficient supplier of raw material to Bangladesh. I recommend that we explore more cooperation in this important sector like facilitating exchanges between our premier textile design institutes, capacity building, textile machinery etc.”

The Minister of State said that both India and Bangladesh have been able to maintain a low mortality rate amid the coronavirus pandemic despite having a dense population.
“India has conducted an online programme for medical professionals exclusively in Bangla language at the request of Bangladeshi participants and we stand prepared to further assist Bangladesh in mitigating the health and economic impact of the pandemic.”

Source: hindustantimes.com – Jul 01, 2020

Gujarat: Cotton prices stay low despite CCI’s purchase of 11 lakh bales

Despite the Cotton Corporation of India (CCI) purchasing more than 11 lakh bales of cotton from Gujarat, cotton prices in agricultural produce market committees (APMCs) in the state remain depressed due to low demand, with experts saying that the phenomenon is likely to persuade farmers to decrease cotton acreage in favour of groundnut.

CCI officials said they have purchased more than 11 lakh bales (each containing 170 kg of lint) or 55 lakh quintals of kapas (raw, unginned seed cotton) in the 2019-20 season, the highest procurement from Gujarat since 2008. “We are withdrawing from the market now. We are already a few weeks into the monsoon and rain is affecting purchasing operations,” said a senior official, adding that the CCI procured around one lakh bales in June.

Though the peak cotton marketing season, which begins in Gujarat in October and runs through June is over, APMCs are still recording significant arrivals of the natural fibre on their yards and the withdrawal of CCI from the market can further depress prices, market insiders say.

Botad APMC, one of the biggest cotton markets in the state, recorded arrival of 3,000 quintals of cotton on Tuesday and the average price was Rs 4,250. In Rajkot APMC, 1,600 quintals of cotton arrived where the modal price was again Rs 4,250, which is way below the minimum support price (MSP) of Rs 5,525 fixed by the Central government.

“Farmers could not sell their cotton for two months, beginning late March due to lockdown... Therefore, we are witnessing comparatively higher arrivals even though normal cotton marketing window is over,” said Babulal Tejani, secretary of Rajkot APMC.
“The cotton processing pipeline is choked. Due to restrictions on movement of labour and goods during lockdown, cotton couldn’t be transported to textile mills in southern India and export was also very little. Therefore, prices crashed. As APMCs were shut during lockdown, arrivals now are higher even as buyers are not upbeat. Therefore, prices are remaining low,” said Kantitlal Ladola, secretary of Botad APMC.

The sowing of the crop this kharif season is trailing to groundnut. As of Monday, farmers had sown cotton in 15.71 lakh hectare (lh), data with the director of agriculture of Gujarat shows. This represents just 58.88 per cent of 26.68 lh which was under cotton the previous season. On the other hand, groundnut has gained ground with its acreage standing at 16.36 lh, up from 15.52 lh recorded the previous season. Agriculture department officials say these figures are likely to go up in the coming weeks.

Bhimji Sagarka, director of extension education at Junagadh Agricultural University, Junagadh, says, “Last season, first two flushes in cotton failed due to excessive rain and pink bollworm infestation troubled farmers in the later flushes. So, the production was not satisfactory. No such uncertainties are generally attached to groundnut. With weather permitting, groundnut is an assured crop, which also provides premium fodder besides marketable oilseeds. Unlike cotton, groundnut also allows relay-cropping of red gram (tur) and castor seeds. So, we estimate that groundnut acreage will go up 20 per cent and cotton acreage will come down commensurately.”

Groundnut has been trading at average Rs5500 per quintal, which is higher than the MSP of Rs5090.

Sagarka said besides rewarding prices of groundnut, migration of labourers were also affecting farmers choices. “Cotton is more labour-intensive as compared to groundnut. Last year, labour charges for picking cotton were high and farmers expect them to even higher this year with labourers having returned to their native states due to lockdown,” added Sagarka.

Source: indianexpress.com– Jul 01, 2020
Taming the dragon! Why not all actions need to be China-specific

The Indian economy has been open to trade and investment. The Chinese have been gaining market share in manufactured goods globally; India is no exception.

Imports from China have risen from around a billion dollars in 2000-01 to over $65 billion in 2018-19. While India exports primary products, it imports manufactured goods from China. This mirrors India’s trade in the 19th century with industrialising England.

Most of what we import from China was being made, is being made and can be made in India. Increasing trade with China has led to the relative decline of manufacturing in India as China has efficient and surplus manufacturing capacity. Our small and medium enterprises have been declining and our domestic consumer goods market has been practically taken over.

How to reverse this has now become critical for national security. There have been emotional calls for a boycott of Chinese goods following the killing of our soldiers. As India succeeds in Make in India and in Atmanirbhar Bharat, industrial growth rates, which have been modest in the last decade, would rise. Dependence on China would then begin to decline. The current anxiety should give added urgency to the process of getting our act together. If we do so, recovery from the recession would also be faster. What needs to be done?

First, RBI needs to have a policy objective of maintaining the real exchange rate and not letting it rise. Between 2008 and 2017, there was a real exchange rate appreciation of 19%. This had the same effect as an overall lowering of import duties by 19%. This meant having negative import duties on many items in real terms. That we still had some industrial growth in this period demonstrates the strength of our industrial entrepreneurship and huge potential.

A strong currency means a strong economy is a myth that we need to outgrow at the earliest. The Chinese, following the Koreans who followed the Japanese, kept their currency artificially depreciated to catch up with the industrialised West till they came under pressure and had to stop doing so. There can, however, be no objection to preventing artificial appreciation.
Producers and those to whom they would give new jobs gain by undoing real exchange rate appreciation. Consumers lose by having to pay more. And among consumers the wealthier would have to pay more for their holidays and children’s education abroad.

Secondly, the government needs to focus on reducing the cost of doing business. Costs include hard costs of land, capital, inputs and logistics, as well as soft costs of regulatory compliance and associated transaction costs. Both are still much too high in India. Ease of Doing Business is only a subset of actual costs. Real interest rates kept rising in India as inflation came down while nominal rates remained high. These are going down but they need to be lowered further and become comparable with those of our competitors.

The state needs to provide to industry developed land with quality infrastructure at reasonable rates, including on lease at concessional rates which could be raised subsequently as the enterprise prospers. Transport costs need to come down substantially. The Western and Eastern Rail Freight corridors are nearing completion. The aim should be to provide customer-friendly services and to increase the share of goods movement by rail. Passenger movement should not be subsidised by goods transport. By bringing diesel into GST, the cost of road transport would come down. Electricity rates should reflect costs and industrial tariffs should not be kept high to provide cross-subsidy.

Reducing the regulatory burden and related transaction costs needs greater momentum. Keeping labour laws in abeyance for three years through the ordinance route is avoidable. A more meticulous transparent process of Regulatory Impact Assessment and reduction of the regulatory burden without compromising on human health, safety and the environment is the right way to proceed. Third-party certification is a process that foreign buyers use when sourcing garments to protect their brands from risks like the working conditions of labour and environment. This process could be extended for ensuring compliance with standards and regulations across the board. It has already been introduced for inspection and certification for boiler safety.

In parallel, special economic zones with quality infrastructure could be developed with a material difference. Sales to the domestic tariff area at the lowest applicable tariff with any trading partner may be permitted. With zero import duties on capital goods as well as inputs, this would lead to investment and job creation for serving the Indian market and help displace
imports. Exemption from taxes on profits need not be given as investment decisions are taken on a rational expectation of good profits and not on exemption of taxes on these profits.

These actions are not China-specific and are essential for regaining growth momentum with job creation. These need to be pursued with a sense of urgency even if normalcy returns on the border. However, in some critical areas, a much harder view needs to be taken on whether we should seek to reduce dependence on China by a combination of finding other sources, albeit at a higher cost, and by trying to achieve self-reliance which will also entail a cost.

A beginning has been made with APIs (active pharmaceutical ingredients) to reduce the vulnerability of our pharmaceutical industry. This needs to be completed in a time-bound mission mode. The more challenging areas are computer chips, electronic components, solar panels and electric storage batteries. Some creative policies and sustained commitment, including public money, would be needed. It should be possible to succeed. After all, China has done it. In 1991, the two countries were more or less at par in technology.

Chinese investment and technology in strategically sensitive sectors and participation in tenders of the government and its agencies need to be subjected to security scrutiny. Denial of further participation in the telecom sector is called for.

Source: financialexpress.com– Jun 30, 2020

Rs 3 lakh crore MSME relief package to provide limited respite: Report

The first round of economic relief package announced by the government for micro small and medium enterprises (MSMEs) will provide a limited respite to the sector and partially ease near-term liquidity stress of lower rated such companies, says a report.

In May, the government had announced a slew of measures to support MSME sector including collateral-free loans up to Rs 3 lakh crore backed by
government guarantee, Rs 20,000 crore subordinate debt provision for stressed MSMEs, among others.

The government also revised the definition of MSMEs to include entities with revenue up to Rs 250 crore and investment in fixed assets up to Rs 50 crore.

Talking about its rated companies, India Ratings and Research in a report said, “The first round of economic relief package announced for MSMEs will partially abate the near-term liquidity headwinds faced by some of the lower rated (below investment grade) mid and emerging corporates (MECs).

The rating agency defines MEC as companies having revenue up to Rs 750 crore. Under the revised definition, a large portion of these companies will qualify as MSMEs, its senior analyst Arindam Som said.

The benefit of these schemes will be restricted to 30 per cent of the overall rated portfolio with limited respite for high rated, large entities by revenue, the rating agency said.

It analysed around 200 investment-grade rated MECs and 226 speculative grade MECs.

Of this, 131 issuers are eligible for the Rs 3 lakh crore collateral-free loan of which 91 per cent are rated in the speculative grade.

The report said in scenarios where the impairment in the business profiles and balance sheets of MSMEs is not expected to reverse in the near term, the risk of a negative rating action could be high. “Notwithstanding access to funding under the schemes, entities may find it difficult to revert to their pre-COVID profile,” it said.

The extent of benefit on account of the government’s schemes will depend on their timely implementation especially with regard to putting in place proper systems and processes to ensure smooth functioning of these schemes over the near to medium term, it said.

Between April 2020 and 15 June 2020, the agency downgraded 25 rated MECs while upgrading six issuers.
For 44 per cent of the issuers, the rating downgrade was primarily reflective of the COVID-19 related business disruption while for the remaining issuers the pandemic has aggravated the existing cash flows pressures.

The report said the decision to provide funds to the promoters to infuse capital in stressed MSMEs could help reinvigorate some of these stressed units especially those which have been facing a funding gap for a long time.

“However, a long-term absence of deep meaningful, structural reforms could intensify liquidity challenges for MSMEs,” it said.

The revision in the definition of MSMEs will enhance the freshly included MECs’ ability to access fresh funding from the financial system on account of the inclusion of the banking sector’s exposure to these issuers in the priority sector exposure bucket, it said.

MSME sector is the backbone of the country’s economy, contributing over 28 per cent of the GDP and more than 40 per cent of exports. The sector employs about 11 crore people, the second highest after agriculture.

Source: financialexpress.com– Jun 30, 2020

Handicraft exports may fall 40% this fiscal due to Covid-19

India’s handicraft exports may fall 40 per cent to about $2.1 billion in FY21 from $3.53 billion in the previous fiscal as demand from key markets in the US, the UK and EU countries continues to be low due to the Covid-19 crisis.

“The handicrafts sector has felt the adverse effect of Covid-19 since February, when demand started to fall from many countries,” said Rakesh Kumar, Director-General, Export Promotion Council for Handicrafts (EPCH).

“Exports in the first quarter of 2020-21 have been severely affected, and till about mid-July, the situation will be adverse, after which there might be some improvement. But we may end the year with a fall of 35-40 per cent in exports as major markets are still to recover.”
Kumar said the main reason for the estimated slow recovery is the fact that handicraft items are not essentials and people would spend on these only once their essential needs are met.

Handicraft exporters are, however, overwhelmed by the big response the EPCH has received to the virtual international fair for handicrafts, IHGF-Delhi Fair, scheduled for July 13-18.

More than 200 overseas buyers from countries such as Australia, Austria, Brazil, Canada, Chad, Chile, China, the US, EU countries, Czech Republic, Ecuador, Egypt, Fiji, Saudi Arabia, Hong Kong and the UAE have registered for the fair, said Ravi K Passi, an exporter and EPCH Chairman.

Confirmed participants include big brands such as Cost Plus World Market, Ralph Lauren, WKND-WYFR, Urban Outfitters, Mud Pie, Cracker Barrel, TJX, Wisteria, Bed Bath & Beyond from the US, Tchibo, Marc O’Polo, Impression from Germany, Pick n Pay from South Africa, FoxHome from Israel, Rivièra Maison, Edelman BV from the Netherlands, Carrefour from France, Bunnings Warehouse from Australia, Tesco, Ross, Next from the UK, Migros from Switzerland and Kif Kif Import from Canada.

Companies in India that have registered so far are The Bombay Store, Synergy Lifestyles, Fabindia Overseas, Goodearth Design Studio, Reliance Retail, Asian Paints, Raymond, Sleepwell, Praxis Home Retail (Home Town), Trent (Westside), Urban Ladder and Aditya Birla Fashion and Retail.

“We hope to do a lot of business in the fair as the two smaller online fairs that were organised by EPCH earlier were huge successes,” Kumar said.

Source: thehindubusinessline.com– Jun 30, 2020