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NEWS CLIPPINGS

INTERNATIONAL NEWS

China's factory activity expands at fastest pace in over three years

China's factory activity expanded at the fastest pace in more than three years in November, while growth in the services sector also hit a multi-year high, as the country's economic recovery from the coronavirus pandemic stepped up.

Upbeat data released on Monday suggests the world's second-largest economy is on track to become the first to completely shake off the drag from widespread industry shutdowns, with recent production data showing manufacturing now at pre-pandemic levels.

China's official manufacturing Purchasing Manager's Index (PMI) rose to 52.1 in November from 51.4 in October, data from the National Bureau of Statistics showed. It was the highest PMI reading since September 2017 and remained above the 50-point mark that separates growth from contraction on a monthly basis. It was also higher than the 51.5 median forecast in a Reuters poll of analysts.

"The rise in November manufacturing PMI, with broad-based improvements across the sub-indices, suggest the recovery momentum in the industrial sector has become more certain," Zhang Liqun, analyst at China Federation of Logistics & Purchasing.

"But the results also showed inadequate demand is still a common issue facing firms. We need to consolidate the policy support aimed to expand domestic demand."

China's blue-chip stock market index hit a 5-1/2 year high following the brisk data.

The robust headline PMI points to solid fourth-quarter growth, which analysts at Nomura expect to quicken to 5.7% year-on-year, from 4.9% in the third quarter, an impressive turnaround from the deep contraction earlier this year.

The economy is expected to expand around 2% for the full year, the weakest in over three decades but still much stronger than other major economies that are struggling to bring their coronavirus outbreaks under control.

The official PMI, which largely focuses on big and state-owned firms, showed the sub-index for new export orders stood at 51.5 in November, improving from 51.0 a month earlier. That bodes well for the export sector, which has benefited from strong foreign demand for medical supplies and electronics products.

Also helping activity in November were strong e-commerce shopping promotions, which unleashed solid consumer demand and bolstered confidence for small and medium firms.

But a surging yuan and further lockdowns in many of its key trading partners could pressure Chinese exports, which have been surprisingly resilient so far.

More companies have reported the impact from currency fluctuations, compared with a month ago, said Zhao Qinghe, senior statistician at the NBS.

“Some firms have flagged that as the yuan continues to rise, corporate profits are under pressure and export orders are declining,” said Zhao.

He added the recovery across the manufacturing industry remained uneven. For example, the PMI for the textile industry has stayed below the 50-point threshold, pointing to weak business activity.

CONSUMER COMEBACK

In the services sector, activity expanded for the ninth straight month. The official non-manufacturing Purchasing Managers’ Index (PMI) rose to 56.4, the fastest since June 2012 and up from 56.2 in October, as consumer confidence gathered pace amid few COVID-19 infections.

Railway and air transportation, telecommunication and satellite transmission services and the financial industry were among the best performing sectors in November.

A sub-index for construction activity stood at 60.5 in November, improving from 59.8 in October, as China steps up infrastructure spending to revive its economy.

Monday's data also showed the labour market is still facing strains. Services firms reduced payrolls at a faster clip in November, data showed, while factories slashed staff for the seventh straight month, although at a slower pace.

"The continued recovery reduces the need for further monetary easing, but any shift to tightening is also unlikely given continued labour market pressure," said Erin Xin, Greater China economist at HSBC.

Source: reuters.com - Nov 29, 2020

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Maritime trade to fall by 4.1% this year, says UN

The United Nations Conference on Trade and Development (UNCTAD) has projected that volume of international maritime trade would fall by 4.1 per cent in 2020, owing to supply-chain disruptions, demand contractions, and global economic uncertainty caused by the COVID-19 pandemic.

UNCTAD, in its latest "Review of Maritime Transport 2020", obtained by The Guardian, said the sector was at a pivotal moment facing not only immediate concerns resulting from the pandemic but also longer-term considerations. These range from shifts in supply-chain design and globalization patterns to changes in consumption and spending habits, a growing focus on risk assessment and resilience-building, and heightened global sustainability and low-carbon agenda.

According to UNCTAD, the sector is also dealing with the knock-on effects of growing trade protectionism and inward-looking policies.

It stated that the trends unfolded against the backdrop of an already weaker 2019 that saw international maritime trade lose further momentum, while lingering trade tensions and high policy uncertainty undermined growth in global economic output and merchandise trade.

However, the report stated that maritime trade volumes were expected to rebound by 4.8 per cent in 2021, if economic growth resumes as the pandemic subsides, warning that further waves of the pandemic could lead to a steeper decline in shipping.

The maritime transport review projected that many developing countries would be affected by declining demand and export revenues, remittances, foreign direct investment and official development assistance.

“The least developed countries are hit hard, given their limited resources and exposure to supply-chain disruptions such as in exports of textiles and clothing products (for example, Bangladesh). For the economies of Africa, developing America and Western Asia, and transition economies, an added concern is the sharp fall in commodity prices,” it stated.

Highlighting the priority action areas in preparation for a post-pandemic world, UNCTAD said: “The COVID-19 crisis has revealed the importance of maritime transport as an essential service ensuring the continuity of trade and supply of critical supplies and the global flow of goods during the pandemic. Ensuring the proper functioning of maritime transport services is a precondition for economic recovery.”

Source: guardian.ng- Nov 28, 2020

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Pandemic pushes Turkish medical textile good exports over $1B threshold

Exports of Turkish medical textile goods registered a significant increase from January through October this year, data showed Monday, as strong demand and capacity increase worked in Turkey's favor.

Foreign sales of the products hit over $1 billion (TL 7.8 billion) in the first 10 months of the year, up from only $50 million a year earlier, the Turkish Exporters' Assembly (TIM) data showed.

Turkish textile manufacturers are said to have adapted rapidly to the pandemic and boosted their capacities to meet the ever-increasing demand.

"We have an average monthly export of almost $100 million. We anticipate it will continue at this level. The market has now settled down," said Burak Sertbaş, chairperson of the Aegean Ready-To-Wear Clothing and Apparel Exporters' Association.

Most firms turned toward medical textile products such as masks and coveralls, Sertbaş told Anadolu Agency (AA) Monday. Medical textile goods worth $95 million were exported in October alone, he added.

Sales were made to 167 countries, with Germany topping the list by receiving $165 million worth of Turkish goods in the January-October period. The U.S. came in second with $160 million, followed by the U.K. and the Netherlands with $104 million each, the data showed.

Exports to the world's largest medical textile goods exporter, China, reached $24 million in the 10-month period. Among others, Spain received around $49.5 million worth of Turkish medical textile goods. Sales to Italy, France, Canada, Romania and Qatar amounted to some $44.5 million, $39 million, $38.8 million, $36.9 million and $28.3 million, respectively.

"Surgical gowns alone held a $700 million share in exports, and the share of exports of medical masks reached $173 million," said Sertbaş. TIM Chairperson Ismail Gülle last week said the sales of ventilators surged 565% year-on-year to $5.6 million in October, up from just $835,000 a year earlier.

Mask and coverall exports hit $43.3 million in the month, a 548% year-on-year increase from a year earlier, Gülle said. Sales of diagnostic kits also increased to $8.7 million from $3.6 million, a 141% year-on-year rise, while exports of disinfectants increased by 32% to $17.4 million, up from $13.3 million.

Sertbaş added that the Aegean Exporters' Association (EIB) made $73 million worth of sales of medical textile products in the 10-month period. The export figure included $55 million worth of surgical gowns and medical masks worth $8 million, he noted.

Sertbaş also pointed to the lack of new orders in the ready-to-wear sector due to COVID-19 concerns. "There are no sharp cancellations like in March, but no new orders either. We will take orders based on the condition of the outbreak. We will do well by the end of December," he said.

"If the outbreak continues at the start of the new year and the closures begin, we will have a problem," he said. A firm from the western province of Izmir that manufactures military camouflage products shifted to the production of masks during the pandemic.

Suhuf Textile's sales director, Oktay Gençay, said the company can produce 1.5 million masks daily, stressing the ever-increasing demand from both the domestic market and abroad.

"We export to about 30 countries such as Germany, the Netherlands and Denmark. Normally, China was the world's largest producer. European countries, in particular, do not lean toward the masks produced in China. Thus, we have reached the current position where we (Turkey) meet almost 45% of Europe's mask needs," Gençay said.

The second wave of the pandemic has brought a peak in the demand, he noted. "We export not only to the end-user but also to the health ministries of the countries. The health ministries of France and the U.K. have procured masks from us," Gençay said.

Source: dailysabah.com- Nov 30, 2020

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APAC needs stronger regional cooperation for recovery: ADB

Stronger regional cooperation strategies, including in health, trade, finance, and disaster risk, can help governments in Asia and the Pacific (APAC) accelerate economic growth and a robust recovery from the COVID-19 pandemic, according to a new book, titled 'Future of Regional Cooperation in Asia and the Pacific', released by the Asian Development Bank (ADB).

"Regional cooperation and integration has been an effective driver for strong economic growth and a sharp reduction in poverty," said ADB vice president for knowledge management and sustainable development Bambang Susantono in a press release.

"However, the COVID-19 pandemic is a wake up call to all of us that our usual assumptions and approaches to regional cooperation and integration have to change in ways that promote resilience and sustainability," he said.

Susantono highlighted the need for Asia and the Pacific to reassess its regional cooperation and integration strategies and pathways.

The book provides a critical examination of regional cooperation initiatives and explores opportunities for economies in the region to work together to recover and rebuild from the COVID-19 pandemic. It examines approaches to strengthen regional trade and investment; improve intraregional infrastructure and connectivity; reduce financial risk; coordinate health systems and approaches; and enhance coordination on cross-border issues such as climate change and ocean health.

Enhanced regional cooperation can, for example, help expand trade and investment by opening avenues and opportunities for small and medium enterprises (SMEs) to participate more actively in local and global supply chains through better transportation and connectivity.

Innovative financing, which accepts collateral other than land, can empower women-led businesses, which currently suffer from approximately 2.5 times less access to credit than male-led businesses.

Regional cooperation and integration can positively influence public policy as well as drum up interest for public goods investment, such as in rail transportation, energy systems, and information and communications technology.

Such investment can contribute significantly to sustainable and inclusive growth, the report notes. Regional cooperation can also be critical in strengthening financial stability and resilience by avoiding potential crises through efforts focused on liquidity provision, macroeconomic and financial surveillance, and regulatory oversight on growing cross-border banking activities.

Asia and the Pacific remains as a hotspot for emerging diseases, natural disasters, and climate hazards. To build resilience, the book recommends a range of multilateral interventions including strengthening national health systems to ensure regional health security; building the capacity of personal protective equipment producers; and providing knowledge support and financing for ocean health initiatives.

The book also notes that regional cooperation on carbon markets would be instrumental for climate change mitigation.

Source: fibre2fashion.com– Dec 01, 2020

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France to impose 'digital tax' in 2020

France has decided to impose a new digital tax on big online technology companies this year, apparently violating an agreement with Washington. The companies subject to this tax—in particular Google, Amazon, Facebook and Apple—have been reportedly notified about the decision. The decision is expected to see a round of punitive US tariffs on French goods.

The 3 per cent tax on revenue from digital services in the country was introduced last year. But the French government had last year suspended collections while negotiations on a broader overhaul of the global tax system continued at the Organisation for Economic Cooperation and Development (OECD). Those talks are yet to result in a breakthrough.

In June, US treasury secretary Steven Mnuchin called off the talks, which were being pursued by 137 countries with a target of securing an accord by the end of this year. In October, the OECD acknowledged that no deal was likely before 2021, largely because of US opposition to the proposals.

"We suspended the collection of this tax so that the OECD talks could finish," French finance minister Bruno Le Maire said last month. "These talks have failed, so we will collect taxes from these digital giants in December," he said.

A deposit on the estimated taxes owed will be required in December, with the remainder due next year, a global newswire reported.

US President Donald Trump has termed the tax as being unfairly targeting American technology giants, and last year threatened import duties of 25 per cent on $1.3 billion worth of French products.

France and many other European nations are taking action after public pressure to make US multinationals pay a larger share of their revenues in taxes in the countries where they operate.

Under EU law, companies in the United States can declare profits from across the bloc in a single member state. Most pick low-tax jurisdictions like the Netherlands or Ireland.

In 2019, President Emmanuel Macron's government enacted a three-percent levy on the profits from providing online sales for third-party retailers as well as on digital advertising and the sale of private data.

The taxes brought in around 400 million euros ($475 million) that year. Britain, Spain, Italy and other European countries have also announced digital taxes to give them a bigger share of the profits that tech firms make from their citizens.

Source: fibre2fashion.com – Nov 30, 2020

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Vietnam textile and garment exports to decline by 14%

As per statistics by the Ministry of Industry and Trade, Vietnam's textile and garment exports are predicted to decline by 14-15 per cent year-on-year to $ 30-31 billion in 2020.

During the first 10 months of this year, the textile industry's export turnover declined by 9.3 per cent to an estimated $24.76 billion compared to the same period last year. Addressing a recent working session to seek solutions to difficulties facing the industry amid the health crisis, Prime Minister Nguyen XuanPhuc suggested the sector strengthen application of digital technologies and make effective use of FTAs.

The ministry said textile enterprises need to take measures, as well as adjust their production activities and business forms to suit the fluctuations of the market due to the severe impacts posed by the COVID-19 pandemic.

Attention should also paid to exploiting the domestic market and forming production chains meeting regulations of origin stated in free trade agreements that Vietnam signed with partners, it noted.

The Government leader also emphasized the need to develop modern and environmentally friendly industrial parks serving the textile and garment industry, and application of circular economy.

Source: fashionatingworld.com – Nov 30, 2020

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Iran's clothing exports to increase by 30%

As per Iran's Textile and Apparel Production and Export Union, the country's clothing exports are expected to increase by 30 per cent during the eight months ending November 30. These exports totaled $35 million in the five months to August 21.

Businesspeople from neighboring countries like Iraq, Afghanistan and Central Asian countriespurchase Iranian clothes in rial and transport them to their countries either legally or illegally, which form of export does not benefit local producers.

Hence, strict supervision needs to be exercised at free trade zones and border markets to safeguard domestic producers' interests, said MajidNami, an official of the union.

Garment production has registered a 70 per cent growth since the beginning of the current year to November. 20 compared with the corresponding period of last year.

The ban on import of foreign clothing brands, closure of borders due to the outbreak of coronavirus and decline in smuggling contributed to this success, he added.

Source: fashionatingworld.com – Nov 30, 2020

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Bangladesh opposes Indonesia's safeguard duty on apparel imports

Bangladesh has opposed the move by Indonesia to impose safeguard duty on apparel imports from Bangladesh.

According to reports, the apex garment makers' body – the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and the Bangladesh Trade and Tariff Commission (BTTC), during a recent hearing conducted by the Indonesian Safeguards Committee (KPPI), presented their observations and arguments on the matter.

The KPPI, following request from the Indonesia Textile Association against the import of apparels, reportedly initiated the investigation into the viability of a safeguard duty on garment shipments from Bangladesh.

However, the hearing where BTTC and BGMEA presented their views, was held on 20 November, which was more than one-and-a-half months after the initiation of the investigation.

The BTTC, in its submission on behalf of the Government reportedly cited provisions in the GATT (General Agreements on Tariffs and Trade) and the WTO Agreement on Safeguard to try and explain imposing such measures does not fulfil the conditions set in the related treaties.

Both the BTTC and the BGMEA in their observations reportedly highlighted that levying safeguard duty would hurt the shipment of garments, which is Bangladesh's main export commodity.

In the 2018-19 fiscal, Bangladesh has earned around US $ 30 million from apparel exports to Indonesia.

Source: fashionatingworld.com – Nov 28, 2020

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GSP extension will increase US-Indonesia apparel trade to $500 billion

US's extension of Indonesia's Generalized System of Preference (GSP) status from early November 2020, will allow it to push up apparel trade to $500 billion over the next five years.

This extension will make 13 per cent of Indonesia's exports duty-free. In 2019, around 10 per cent of Indonesia's total $20.1 billion of exports to the US were placed under GSP exemptions.

The US is seeking new ways to cooperate with Indonesia in areas, such as maritime security in the Indo-Pacific region.

It is already Indonesia's second-largest non-oil and gas export partner, with total two-way trade in goods reaching $30 billion in 2019.

The government is also encouraging US companies to invest in Indonesia, especially in areas such as manufacturing, services, pharmaceuticals, and defense.

It is preparing a 4,000-hectare industrial park, named the Batang Industrial Park, in Central Java province to accommodate US businesses looking to shift all or part of their operations out of China. US companies are offered special tax incentives in this zone.

Source: fashionatingworld.com – Nov 28, 2020

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Will the recent surge in prices impact cotton exports?

Exporters still hopeful of exporting 50 lakh bales as Indian prices remain competitive

Recent uptrend in cotton prices is likely to impact the projected exports of cotton.

Parts of cotton growing regions in Maharashtra and Gujarat have faced pink-bollworm infestations in cotton crop, which have dented the crop outlook. On the other hand, the ongoing farmers' protest has impacted the cotton arrivals in North India triggering surge in prices to ₹41,400 per candy (each of 356 kg of ginned cotton of 29 mm variety).

"Prices have surged quite significantly and we have crossed the pre-lockdown rates of ₹39,000 last year. Now we are closing towards ₹42,000 which is around 70 cents per pound. It looks like this will stop increasing and stabilize at this level. At this rate, there is no parity in exports so it is difficult to achieve the export target of 60 lakh bales," Atul Ganatra, President, Cotton Association of India (CAI) told BusinessLine.

Exports outlook

Earlier this month, CAI had projected India's cotton exports to touch 60 lakh bales for the season 2020-21, about 20 per cent higher from 50 lakh bales estimated for the previous season.

Cotton prices have been on the rise for the past month. In September-October, cotton prices ruled in the range of ₹38,700 to ₹40,200 per candy, which worked out to about 66 cents for a pound.

This was considered much lower than key markets of US (75.40 cents), West Africa (73.40) or Brazil (70.40). Looking at this favourable price proposition, cotton trade was betting big on exports.

Trader sources, however, maintained that even after the recent spurt in the prices, India's cotton would continue to remain competitive in the international market. Thus the overall exports of the fibre may not fall below the previous year's levels i.e. 50 lakh bales (each of 170 kg).

'Still the cheapest prices'

Vinay Kotak, Director, Kotak Commodities, said: "We will continue to be cheapest in the world. Don't see any impact of recent fluctuations in prices on overall exports. We may retain last year's 50 lakh bales, if not more."

Currently, there are no big inquiries from overseas markets but China and East Asian markets including Vietnam and Bangladesh are buying from India. "There is going to be some arrival pressure in the market in the coming months. So prices will stabilise," said Kotak.

ICE December Futures are hovering in the range of 71.5 to 71.68 cents per pound, whereas far month contract for May and July 2021 quoted at 74.12 and 74.65, respectively pointing at a further room for an upside in the international cotton market.

Exporters hinted that rains, pest infestations and North India's farmers' agitation has temporarily pushed up prices in the domestic market. "The prices are expected to go down as the cotton production is expected to be more than last year. And there is not much demand from the end consuming sectors in the rest of the world. So there will be some respite in prices after about two weeks," said a cotton exporter from Ahmedabad.

Source: thehindubusinessline.com– Nov 30, 2020

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We must look to leverage FTAs with countries having transparent trading mechanisms: Goyal

Free trade agreements are good for the nation and India must look to leverage these pacts with countries having transparent trading mechanisms and business systems, Commerce and Industry Minister Piyush Goyal said on Saturday. He said India should focus its energy on FTAs initially with developed countries that are looking for market access in the large Indian market and which can open their doors for domestic goods as well.

"I believe, per se FTAs are not bad, FTAs are good for the nation and we must look to leverage FTAs with counties with whom you have transparent trading mechanisms, who are working with transparent business systems and with whom you (Indian industry) can engage from a position of strength for certain products where you are looking at market access in those countries," he said. The minister was speaking at a webinar on 'The Road To Aatmanirbhar Bharat' organised by Swarajya Magazine.

"I think the countries with whom we have reciprocal and equitable relations are where we will focus our energies for future FTAs," Goyal added. He said that in free trade agreements (FTAs) with countries including Japan, Korea, and Asean, business communities of these regions benefited more by getting market access in India. "...we could not benefit from corresponding market access in those countries," he said adding now the effort is to expand domestic manufacturing abilities and being more reciprocal in trade with other countries.

One of the primary reasons why India could not join RCEP (Regional Comprehensive Economic Partnership) pact was that some of the members do not "really" have democratic transparent trading systems, the minister said.

"And when you are dealing with an unfair partner, a partner which does not really give a level playing field or reciprocal access or where there is a risk of predatory pricing , where there is a risk of circumvention of country of origin rules, one does have to be cautious," he added. When asked about support measures for the exporting community, the minister said the government may not be in a position to actually give export incentives per se to promote outbound shipments.

"We really cannot give any specific incentives to exports given the WTO (World Trade Organisation) framework in which we are all doing business today. At the end of the day, if we start doing that, there will be retaliatory action from other countries," he said.

The minister stated that the idea of extending support measures under PLI (production linked incentive) scheme, is to boost manufacturing at large volumes and with that businesses can serve both domestic and international markets. "...when you manufacture at such large volumes and we are encouraging large scale manufacturing , obviously you will serve Indian market but you will have large surpluses to serve international markets. So direct, indirect you are supporting the export market. So it's a very well thought out scheme," he said.

Besides, he said the government is working to reduce logistics cost, and making the paper work easier for exporters. "We will continue work with banks to provide low cost finance to our exporters...We really have to provide them a level playing field compared to other parts of the world , but may not be in a position to actually give export incentives per se to promote exports and I believe that subsidies are like crutches," he added. About PLI, Goyal said that 10 more sectors are now covered under this scheme, that will cost nearly Rs 2 lakh crore over the next five years.

This Rs 2 lakh crore, he said, has the ability to create an ecosystem which will expand India's domestic manufacturing "by not less than Rs 20 lakh crore every year". "And when you are adding Rs 20 lakh crore manufacturing ecosystem in India, even if you take a conservative 30 per cent as labour or salary wages or the component of labour direct and indirect , you are looking at Rs 6 lakh crore going into the hands of the people of India," he said adding "you are looking at over three crore people getting well paying good working opportunities".

Further he said the ministry is identifying more and more sectors which may not need PLI but which may need de-regulation, some hand holding or other form of support or incentive. Talking about railways, he said the railways ministry is looking for more Indian suppliers for everything that the sector needs. Currently, railway is procuring under 2 per cent of the current procurement from outside the country and it plans to replace that also with Indian products, Goyal, who also holds the railways portfolio, said.

Source: financialexpress.com– Nov 28, 2020

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Trade deals: The right Regional Comprehensive Economic Partnership strategy for India

November 2020 witnessed the signing of a significant plurilateral trade agreement, the Regional Comprehensive Economic Partnership (RCEP), by 15 countries—the 10 ASEAN member nations, China, Australia, New Zealand, South Korea and Japan. India, which was one of the founding members, walked out of the agreement in November 2019 as it felt that the membership of the RCEP would harm many sensitive sectors in the country. However, the 15-member grouping has decided to leave the door open for New Delhi to join at a later date, if it chooses to change its mind.

The membership of the RCEP has always remained a controversial topic in India since it was first proposed in November 2011. Some in industry, academia and in political circles have been critical of India's membership of the RCEP as it has been viewed as a grouping driven by Beijing to meet its expanding economic aspirations in the Indo-Pacific. At the same time, supporters of India's membership of this agreement have espoused the benefits of India being able to integrate with the markets in the East by becoming a part of the value chains in the region.

The discordant narrative in the country surrounding the RCEP reflects the different views on India's participation in any free trade agreement (FTA)—though India has, over the last two decades, signed over 65 preferential FTAs including several comprehensive economic partnership agreements with important trade partners. Importantly, while there has been a lack of consensus on India becoming part of any trade agreement, the RCEP was the first agreement where India actively moved out of the negotiations despite being a founding member of the grouping.

This change in India's stand in November 2019 provided a clear view of where New Delhi was heading in terms of its bilateral relationships. India's tryst with FTAs started when, under Prime Minister Atal Bihari Vajpayee's leadership, the country decided to Look East and felt that the best way to integrate with these markets was to use the economic route of FTAs. However, given China's recent aggressive push in the region—both economically and, more importantly, militarily—India seems to want to build strategic partnerships with likeminded countries in the region based on security concerns as against having limited economic deals that have not led to any significant trade gains.

Driven by the global trends of increasing protectionism in the last few years, India has chosen to move down the path of atmanirbharta (self-reliance). Prime Minister Narendra Modi has, however, clarified that while India will become more 'vocal for local', it will continue to remain engaged with the world for trade and investment. The government, through several recent policy measures, including import bans on several products, has shown its intent to put more stress on pulling investments into the country instead of adopting a free trade model. Trade is now being seen more as a component to build competitiveness in sectors that need imported raw materials or intermediates, and not as a means to enhance economic diplomacy or to increase India's presence in regional value chains.

It is important to note that the RCEP has only been signed and now countries will have to ratify it before the agreement is launched. This may give India some more time to consider if it will take up the offer of joining the RCEP at a later date.

A quick analysis by APJ-SLG Law Offices (ASL) of the RCEP agreement shows that India's total exports to the RCEP countries were $64 billion in 2019, of which the top 25 products constituted $31 billion, which is nearly 50% of India's total exports to these countries. Importantly, not all these products receive tariff benefits under the existing trade agreements that India has with many of these countries.

However, all these products have been put under a preferential tariff under the RCEP agreement, thereby providing the RCEP member countries a benefit over India in terms of tariff. The tariff preferences under the RCEP will come into effect over a 3-20 year period, giving India time to build competitiveness in these sectors. In this context, it may be worthwhile to look at a NITI Aayog study on FTAs that had stated India's exports are more responsive to income changes as opposed to price changes, and hence a cut in tariffs does not necessarily boost India's exports significantly.

If the current policy ecosystem continues, then India is not expected to take up the offer of joining the RCEP. However, the agreement provides India a reason to focus on some critical aspects to ensure that the country remains connected to the global markets. India can build a RCEP strategy without formally joining the grouping.

First, India needs to continue the work of building on standards across sectors. The government has already identified close to 500 products where it is creating mandatory standards, and this list needs to be expanded. Second, cut logistics cost for internal and external trade. The NITI Aayog study shows that the average logistics costs in India are about 15% of GDP, while such costs in the developed countries are about 8%. Third, consider sector-specific FTAs with countries where complementarities exist as these may be more beneficial than comprehensive FTAs. Finally, don't look at FTAs as a diplomatic tool, but use these to build competitiveness across sectors.

Source: financialexpress.com– Nov 30, 2020

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Production Linked Incentive Scheme: Unlocking untold possibilities

A country's transition from a lower-middle income economy to a higher-middle income one is subject to its ability to provide its labour force enough well-paying jobs. In contrast to most developed economies, the growth trajectory of GDP in India has favoured the services sector. In 1951, the contribution of the agriculture sector to the GDP was 53% while the industry and the services sectors contributed 11% and 33%, respectively. With respect to employment in the country, the contribution of the primary, secondary and tertiary sectors stood at 72%, 11%, and 17%, respectively.

After Independence, the contribution of the agriculture sector continued to slide, and it was substantially replaced by the manufacturing and services sectors. In 2019, the share of the services sector in job creation was 32% against its contribution to the GDP standing at 54%. On the other hand, the share of the manufacturing and agriculture sectors in job creation was 26% (share in GDP: 17%) and 42% (share in GDP: 16%), respectively. From these figures, it is clear that even though the services sector has the maximum share in the GDP of the country, its share in job creation is low. This suggests that the services sector has not been able to absorb the surplus labour force from the agriculture sector.

The infallible conclusion is that the contribution of the manufacturing sector towards job creation has not met the expectations of policymakers. Investment in the manufacturing sector and increasing its share in the GDP can help absorb the excess labour from rural areas. We can attribute the stagnation of the manufacturing sector to many reasons, including cost of capital, land and power, labour productivity, poor investment in R&D, lack of size and scale, etc, which have led to a fair level of fiscal disability vis-a-vis our competitor economies. It became more economical for our industries and consumers to buy imported products, which, in effect, adversely impacted the manufacturing sector of the country.

Policymakers have undertaken several reforms to decrease the cost of production in India. Significant measures include the development of industrial infrastructure, improving ease of doing business, more liquidity to businesses, skilling, rationalising cost of power, developing world-class logistics, etc. These measures, in the times to come, will reduce the cost of production in the country. However, in the interregnum, certain measures are required to address the financial disabilities; the Production Linked

Incentive (PLI) scheme is one such key intervention by the government. This has total a budgetary outlay of over Rs 1.96 lakh crore.

There are certain marked features of the PLI scheme that should make it effective in implementation and predictable in results. First, the scheme is outcome-based, which means that incentives will be disbursed only after production has taken place in the country. The scheme is thus purely result-oriented. Second, the calculation of incentives will be based on incremental production to be achieved at a high rate of growth. To achieve this incremental production, beneficiaries will be required to make additional investment in establishing green-field facilities or carrying out expansion of existing facilities. Third, the scheme focuses on size and scale by selecting those players who can deliver on volumes.

The targeted nature of the scheme will make it highly effective and the beneficiaries are likely to become globally competitive. Fourth, the selection of sectors covering cutting-edge technology, sectors for integration with global value chains, job-creating sectors and sectors closely linked to the rural economy, is highly calibrated. Overall, the scheme is designed to comprehensively cover not only sectors of strength but also sectors of opportunities where India can gain substantially in the coming years. Lastly, addressing fiscal disabilities of companies and helping them achieve size and scale would allow Indian products to become competitive in global markets and lead to an increase in exports.

The PLI scheme has been announced after intense stakeholder consultations. The scale of incentive for the entire scheme is over $26 billion, which can catalyse an enormous manufacturing output in the country. For instance, an incentive of ~$5 billion in electronics and mobile manufacturing will deliver an incremental production of over $140 billion in the next five years.

Out of the aforementioned, nearly 60% will go as exports to overseas markets. PLI in other sectors will also trigger huge domestic production and result in exports. The manufacturing GDP of India currently stands at ~$480 billion.

The country is ranked sixth after China, the US, Japan, Germany, and South Korea. With the PLI scheme in place, the additional incremental manufacturing output in the next five years will be more than a year of the manufacturing GDP of India.

To achieve the scale of the production envisaged under the PLI scheme, massive investments would be required in establishing factories, expanding additional facilities, on acquisition of plant and machinery, etc, which would result in a significant boost to employment opportunities in the country.

This scheme can help increase the manufacturing sector's share in the Indian GDP from the current level of 16% to much higher levels in the next five years. Moreover, this scheme would help India move towards becoming a higher-middle income economy, and the resultant economic spillover will create many employment opportunities.

Source: financialexpress.com– Nov 30, 2020

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Business relations with India will continue to grow stronger: Swedish official

Trade relations with India will continue to grow stronger and deeper, and also create new employment opportunities, Ambassador of Sweden to India Klas Molin has said. Speaking at 'India Sweden Innovation Day 2020', Molin said the innovation partnership between the two countries has strengthened since its announcement in 2018. The ambassador termed innovation as one of the absolute cornerstones of relations between Sweden and India. "Both our governments have allocated funding for multi-million calls under our partnership. As a consequence, business links between our countries will continue to grow stronger and deeper, drawing us closer together and creating jobs and prosperity," Molin was quoted as in a statement.

In his address, Union Minister for Road Transport, Highways Nitin Gadkari, who also participated in the virtual conference said, when it comes to innovation, both Sweden and India have a lot in common to share for their mutual good. There are immense opportunities that exist on the two sides and which needs to be identified and promoted. "The mutual cooperation, coordination and communication among the stakeholders in India and Sweden will strengthen, survive and grow in new normal. Innovation, entrepreneurship, science and technology, R&D, skills, knowledge, and conversation of knowledge into wealth is the future," he said.

The one-day virtual event was jointly organised by India Unlimited in Sweden, in association with Embassy of India in Sweden, Sweden India Business Council and CII on Friday. Attended by about 500 participants, the event brought together the stakeholders from governments to other key organisations who spoke about energy partnership, safe transport, innovation collaboration, sustainable business models, civil and cyber security, health tech, skilling and tech start-ups, the statement said.

Source: financialexpress.com– Nov 29, 2020

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US replaces Mauritius to become 2nd biggest FDI source for India during April-September 2020

The US has emerged as the second biggest source of foreign direct investment (FDI) into India, replacing Mauritius, during the first half of the current financial year, according to data of the commerce and industry ministry.

During April-September 2020, India attracted FDI worth USD 7.12 billion from the US and USD 2 billion from Mauritius, which slipped to fourth position, the DPIIT (Department for Promotion of Industry and Internal Trade) data showed.

Mauritius was the second biggest FDI source during the same period previous year. The US was the fourth biggest investor during that period.

Singapore with USD 8.30 billion foreign inflows continued to be the top source of FDI for India in April-September 2020-21. The country has received USD 2.1 billion inflows from Cayman Isands.

The islands was followed by Netherlands (USD 1.5 billion), UK (USD 1.35 billion), France (USD 1.13 billion), Japan (USD 653 million) , Germany (USD 202 million), and Cyprus (USD 48 million).

According to experts, increasing FDI from the US reflects the further strengthening of economic ties between the two countries.

The US was also India's top trading partner in 2019-20.

Biswajit Dhar, a professor of economics at Jawaharlal Nehru University, said that "the US technology companies are buying stakes in Indian companies that is why FDI numbers are showing increase".

Despite the fact that FDI from Mauritius is coming down, it still accounts for 29 per cent of the total inflows received by India during April 2000 and September 2020. In this period, India has attracted USD 500.12 billion foreign direct investment.

Foreign inflows into India grew by 15 per cent to USD 30 billion during the first half of the current fiscal. In August, the country had attracted USD 17.5 billion worth of foreign investments.

Source: financialexpress.com– Nov 29, 2020

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'Tamil Nadu to get an updated industrial policy'

Tamil Nadu government's new industrial policy is almost ready, and will focus on areas such as broadbasing like diversifying the industrial growth; developing a strong innovation ecosystem and promoting R&D. Chief Minister Edappadi K Palaniswami will be releasing the new industrial policy soon. It will be a revision of the 2014 policy, and will be GST compliant, said Industry Secretary N Muruganandam.

The State's industrial growth is concentrated in and around Chennai. However, a lot of efforts have been taken to incentivise the industries to move them to other parts of the State.

Innovation, R&D gap

Addressing the 184th Annual General Meeting of the Madras Chamber of Commerce & Industry online, he said "We are good in IT, electronic manufacturing and many sunrise sectors but the innovation ecosystem is an area where we need to work on.

Whatever we invest today, we will see the results in ten years. If we need to maintain leadership position in industrial development, we will need to work on the innovation ecosystem," he said urging MCCI to work on this area.

R&D is another area that needs attention. In Tamil Nadu, there are very few R&D companies. Most of them are in Bengaluru or Hyderabad. “We are trying to address this in the new industrial policy to promote the R&D industry,” he said.

Sector-specific policies

Work is going on the FinTech policy; and the industry department is working with departments of textile and agriculture to revamp the textile policy and the food processing policy, he said. “With all these policies in places, Tamil Nadu will be at the forefront in having a dynamic and proactive policy environment for industry,” said Muruganandam.

To attract investment, improving the industrial infrastructure is key, and it is important to create land banks with quality infrastructure. Sipcot has industrial estates across the State but mostly located in around Chennai. This is one of the reasons why the region has developed. Wherever, there is no Sipcot industrial estate, big industries have not gone there, and there is haphazard development, he said.

Land banks

With the new Land Acquisition Act of 2015, it is very difficult and expensive to acquire land for industry. “We are looking at alternative modes of acquiring land through private negotiations or promoting joint ventures parks where the private player has got land.

We are trying to motivate them to put the land to industrial use. We are also supporting private industrial parks by facilitating and incentivising them,” he said. “We are trying to create land banks particularly in places like Krishnagiri, where there is a lot of demand, and in Coimbatore and Thoothukudi,” he said.

In all the existing parks, the infrastructure is being improved. For instance, a desalination plant is being developed in Thoothukudi at a cost of ₹636 crore for water supply for industrial use, he added.

A polymer park will be inaugurated soon near the Ennore port, and the State government is working on an Electric Vehicle park. The State government has applied for Central grants for two big parks near Chennai —one for bulk drug pharma in Manallur and the other for medical appliances at Oragadam, he said.

A 500-acre Defence park is being developed in Sulur; a textile-related park planned near Tiruppur in around 1,000 acres with focus on technical textiles and textile machinery; and five mega food parks for the food processing industries. “In a year or two, many of them would be a reality,” he said.

Source: thehindubusinessline.com– Nov 27, 2020

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Fashion gets anti-viral makeover! How coronavirus pandemic changed apparel industry!

Fashion and technology have long known each other, but today, their equation has gone a step ahead, with some game-changing innovations. The fashion-tech industry has been innovating and re-innovating at a lightening pace and bringing out new products to keep consumers happy and safe during the pandemic.

For one, apparel and fashion brands are giving greater importance to hygiene and immunity. So categories like stain- and odour-resistant daily wear are now in huge demand in the market. Furthermore, anti-viral textile technologies are fast becoming a trend and could soon become a good revenue stream for brands.

Apparel brand Turmswear, for instance, has started producing odour-resistant daily wear that need not be washed regularly. Its apparel products are anti-viral, anti-germ, anti-odour and easy-dry. The brand uses nanotechnology and fabric innovation combined with the latest fashion trends. Turmswear also recently launched its Turms masks that are nanotech-enabled.

One of the first textile technologies, however, that has proved to be effective against Covid-19 is HeiQ Viroblock. The UK-based industrial threadmaker Coats is, in fact, looking at ways to incorporate this technology into its threads and yarns that could be used to make affordable anti-viral clothing.

Sweden's Polygiene, a specialist in odour control, is also working on its own anti-viral treatment for denims in partnership with Italian fashion giant Diesel. According to the two companies, the solution stops 99% of viral activity of any kind within two hours of contact.

Furthermore, in Brazil, Santista Textil is developing an anti-viral textile treatment focusing on protecting workwear and denim from the virus. Spanish denim treatment specialist Jeanologia has also come up with a sanitisation box that eliminates coronavirus from footwear, apparel and other textiles. California-based biotechnology company Püre, on the other hand, is attracting sellers and retailers with its sanitising closet PüreCouture, which uses UV light to destroy pathogens while leaving retail tags intact.

While technology is at the heart of the apparel and textile industry's emergence in the post-Covid era, it is not a new trend. Over the past couple of years, luxury fashion brands have joined hands with various AI systems to produce better products and accessories. For example, one of the latest trends for fashion stylists is to design 'smart' accessories like watches and bracelets. These smart objects are equipped with sensors and can work as contact-tracing tools as well.

Millions of businesses today are trying to use data to understand customers' preferences better. By making use of AI, designers are not only able to create clothing specific to the individual, but can also predict their future taste. AI-designed clothing makes fashion and designing much more personalised and customised.

For brands like H&M and Zara, speed and quantity have always been a priority. With the pandemic being a hindrance for people to go to outlets and malls to buy, 3D printing clothes at home has been emerging as an alternative. Trial rooms, too, have an alternative in the form of AR and VR technology. These two additions to retail outlets are transforming the way consumers shop. Buyers can not only look at 3D representations of the clothing, but can also use AR to digitally try on clothes without the hassle of changing rooms.

From connected accessories like smartwatches to jackets that come with USB ports, the adoption and integration of technology has made deep inroads in the fashion industry. The CHBL Jammer Coat, for example, designed by Austrian architecture company Coop Himmelb(L)au, is made from metallised fabrics that block radio waves and make the wearer untraceable via modern devices.

Then there is London-based designer Dahea Sun who invented a dress that acts as a pH indicator when acid rain falls onto the fabric. Taking this technology a step further, the dress also comes with a smartphone app that allows the wearer to scan and upload the colour changes to a database that further updates the rest of the world with real-time environmental data about the rain.

It's true that technology is affecting every stage of fashion development and the consumer is the one who is reaping all the rewards. The pandemic has made the dependence on tech much more prominent and one can be sure that there will be more exciting innovations in the future.

Source: financialexpress.com– Nov 29, 2020

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Apparel retail revenues to fall 40-45% in FY21: Ind-Ra

Agency forecasts a more promising Q3 for overall retail sector as mobility normalizes

India Ratings and Research (Ind-Ra) maintained its sombre outlook on the retail sector with apparel retailers closing FY21 with a 40-45% decline in revenues, while food and grocery retailers are likely to report a 5-10% dip, it said in a note on Monday, while estimating a demand recovery for the sector in the second half of the year and well into FY22.

The agency also estimates a threefold jump in online sales for retailers in the current fiscal.

India's lockdown affected several retailers, but those in the apparel business saw a severe slump in demand as stay-at-home consumers felt little need for formal and occasion wear. Lockdown and, later, restrictions on store operations crushed summer season sales. It is only now that the clothing segment is clawing back on the back of festive and wedding season sales.

"Ind-Ra expects the demand recovery to continue in 2HFY21 and FY22, primarily driven by the festive season demand, strong performance by the online channel, and share gain by the organized segment at the expense of the unorganized sector. The agency, however, maintains the full-year revenue decline to 5-10% for food and grocery retail, while apparel retail could witness a 40-45% decline in revenues for FY21 because of covid-19 led business disruptions and general economic slowdown," said Prateek Goyal, the note's author.

The note signalled a more promising third quarter for retailers as mobility normalized and pent-up demand led to increased consumption for some categories, even as it flagged concerns around social distancing norms and a slowing economy.

For the third quarter, Ind-Ra, a part of the Fitch Group, expects apparel sales to touch 80% of pre-covid levels, with food and grocery retail hitting more than 100%.

The note, meanwhile, predicts an obvious significant shift in consumer shopping habits with more consumers buying goods online. Ind-Ra expects sales made through the online route to increase by a factor of more than three in FY21.

Companies have focused on a strong digital footprint with increased investments in developing their own websites and mobile apps, while also partnering with online channel partners to fuel growth, the agency said.

As a result, business via own websites or through online marketplaces is expected to increase to 10-15% of total sales by FY22, up from 2-4%, faster than the earlier five-year timeline predicted to reach this volume, it added.

Online retailers are establishing more partnerships with offline retailers as both seek to leverage consumer demand, which is moving online.

Sportswear retailer Puma India expects to sell goods worth ₹500 crore by the end of next year on fashion portal Myntra, it said in a recent interview. Walmart-backed Flipkart has also been investing in fashion retail in the country.

However, Ind-Ra hasn't predicted the demise of offline retailers just yet. Despite footfall in malls still not increasing sufficiently, the ratings agency is bullish on retailers expanding beyond metros.

However, store sizes could be rationalized, it said.

“The brick-and-mortar presence of large retailers will continue to grow, as there are several untapped markets available outside tier-1 cities, given the low penetration of the organized market. Omni-channel presence may lead to the rationalization of store size and numbers, given high rental expenses," it said.

Source: livemint.com– Nov 29, 2020

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GST returns deadline: Reminders to 25,000 defaulter taxpayers

The government is mulling cancelling GST registration for 5.43 lakh taxpayers who have not filed monthly tax returns (GSTR-3B) for the last six months or more, sources in the revenue department said. Additionally, the department would ‘persuade’ 25,000 taxpayers, who have not filed returns for October that was due by November 24, to comply with tax return deadlines.

Sources said tax officers have been directed to follow up personally with these defaulting taxpayers so that their GSTR-3B returns due for the month are filed by November 30. These assessees were identified on the basis of last month’s statistics, sources said after a high-level meeting held in the revenue department.

The push for better compliance comes on the heels of tax department’s nationwide drive against fake invoice scams.

It is suspected that fraudsters often register firm under GST but remain mostly dormant on compliance while using the status to claim invalid input tax credit (ITC).

The Directorate General of GST Intelligence (DGGI) and CGST Commissionerates has so far arrested 85 persons for availing or passing on ineligible ITC fraudulently and have booked 981 cases against more than 3,119 fake GSTIN entities identified across the country, sources said.

Sources said it was highlighted in the review meeting that while 80 lakh GSTR-3B returns have been filed this month (for transactions in October), the department would undertake measures to send reminders to 25,000 taxpayers to comply.

The Goods and Services Tax Network (GSTN) has also been directed to send 1 lakh SMSes and e-mail reminders per day to the taxpayers, particularly to the defaulting taxpayers, to file the return in due time, sources said.

According to the GST return filing schedule, the GSTR-3B returns were expected to be filed in a staggered manner by November 20, 22 and 24 for transactions made in October. Taxpayers with turnover above Rs 5 crore annually are expected to file returns by 20th of any given month.

After declining in the first five months, the GST collections came in higher in September and October compared with the corresponding period last year. In September it was Rs 95,480 crore, about 4% higher and in about 10% higher in October at Rs 105,155 crore.

Source: financialexpress.com– Nov 29, 2020

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CBIC asks for physical verification of biz granted deemed GST registration between Aug 21-Nov 16

The CBIC has asked field offices to carry out physical verification of premises of businesses which have been granted deemed GST registration between August 21 and November 16 to ascertain that they have genuine business or intend to carry out so.

The Central Board of Indirect Taxes and Customs (CBIC) has also asked taxmen not to grant GST registration on deemed basis in cases where the applicant has not opted for Aadhaar authentication or the authentication has failed.

Current provision under Goods and Services Tax (GST) law allows for deemed registration upon completion of 21 days of application if the proper officer has not issued any notice within the said 21 days.

The CBIC, in its instruction to field offices, said that data suggests that during the period from August 21, 2020 to November 16, 2020 deemed registrations have been granted in many cases where Aadhaar authentication has not been opted for or has failed.

“These registrations granted on deemed basis require verifications to ascertain that they have genuine business or intends to carry out so,” the CBIC said while issuing Standard Operating Procedure (SOP) for carrying out physical verification of persons who have been granted deemed registration.

During the physical verification, the officer, among other things, would verify that in case the applicant intends to carry out manufacturing activity, the capital goods, if required for the said manufacturing activity, have been installed.

The officer would also verify electricity connection, bills paid in the relevant period, size of the premises – whether it is commensurate with the activity to be carried out by the applicant, whether premises is self-owned or is rented and documents relating to ownership/registered lease of the said property.

The verification would also include getting details of the number of employees already employed and record of their employment, Aadhaar and PAN of the applicant and its proprietor, partners, directors, as the case may be, and authorised signatories.

Besides, bank’s letter for up to date KYC would also have to be checked, as per the SOP.

“In addition to the physical verification conducted, the proper officer, in the interest of revenue, would carry out the preliminary financial verification of the registrants by seeking…documents and carrying out its scrutiny,” the CBIC said.

The documents include ITRs of the company/LLP from the date of incorporation or for last three financial years, whichever is less. ITRs of proprietor, partners, among others, may be taken in other cases.

The status of activity from the date of registration of all the bank account(s) linked to registration may be taken through a letter/undertaking from the applicant. Phone number declared/linked to each of the bank accounts may also be obtained.

Also the quantum of capital employed/proposed to be employed has to be scrutinised, as per the SOP.

"Field formations are advised that in cases where the applicant has not opted for Aadhaar authentication or where such authentication has failed, there should not be any case where registration is granted on deemed approval basis," the CBIC said.

With effect from August 21, 2020, rule 9 of the Central Goods and Services Tax Rules, 2017 provide that in cases where Aadhaar authentication has either not been opted for by the applicant or where such authentication has failed, the proper officer has to mandatorily initiate physical verification of the premises.

In cases where physical verification is difficult, certain additional documents may be called for by the proper officer (upon approval of an officer not below the rank of Joint Commissioner) for verification before deciding upon grant of registration.

Rule 25 of the CGST Rules provides for physical verification of business premises in certain cases.

Source: financialexpress.com– Nov 29, 2020

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